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If you have sold or transferred all your shares in Allied Cement Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**VERY SUBSTANTIAL ACQUISITION
AND
CONNECTED TRANSACTION**

**PROPOSED FORMATION OF JOINT VENTURE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Independent Financial Adviser to the Independent Board Committee



CENTURION CORPORATE FINANCE LIMITED

A letter from the board of directors of Allied Cement Holdings Limited (the “Company”) is set out on pages 7 to 19 of this circular and a letter from the independent board committee of the Company (the “Independent Board Committee”) containing its recommendation in respect of the transaction is set out on pages 20 and 21 of this circular. A letter from Centurion Corporate Finance Limited containing its advice and recommendation to the Independent Board Committee and the independent shareholders of the Company is set out on pages 22 to 39 of this circular.

A notice convening an extraordinary general meeting of the Company (the “EGM”) to be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Monday, 2nd April, 2012, at 10:00 a.m. is set out on pages 53 to 55 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company’s share registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not prevent shareholders of the Company from attending and voting in person at the EGM or any adjournment thereof if they so wish.

16th March, 2012

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DEFINITIONS

In this circular (other than in the notice of the EGM and the accompanying form of proxy), the following expressions have the meanings correspondingly ascribed below unless the context otherwise requires:

“AII-Shanghai”	AII-Shanghai Inc., a company incorporated in the British Virgin Islands with limited liability and whose entire issued share capital is indirectly held as to approximately 83.33% by the Company
“Allied Wangchao”	Shandong Allied Wangchao Cement Limited (山東聯合王晁水泥有限公司), a company incorporated in the PRC with limited liability and whose entire equity interest is indirectly wholly-owned by the Company, which carries out the Group’s operations in Shandong province
“Autobest Holdings”	Autobest Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a controlling shareholder of the Company holding 75% shareholding interest in the Company, which is a direct wholly-owned subsidiary of Tian An
“Bailonggang Project”	development of new cement production facilities at Bailonggang (白龍港), Pudong, Shanghai, the PRC
“Board”	the board of Directors
“Business Day(s)”	a day on which banks in Hong Kong are open for business other than (i) a Saturday or (ii) a “general holiday” as defined in Section 2 of the General Holidays Ordinance (Cap.149 of the Laws of Hong Kong), or one of the days specified from time to time in the schedule to that Ordinance as being “general holidays” under Section 3 thereof or (iii) a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon
“Company”	Allied Cement Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	having the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Cooperation Agreement”	《關於建設「白龍港項目」合作協議》 (Bailonggang Project Construction Cooperation Agreement*) dated 13th February, 2012 entered into between Shanghai Building Material and Shanghai SAC with respect to the development of Bailonggang Project
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Monday, 2nd April, 2012 at 10:00 a.m. or any adjournment thereof, for the purpose of considering and, if thought fit, approving, inter alia, the terms of the Cooperation Agreement, the JV Principle Agreement and the respective transactions contemplated thereunder, notice of which is set out on pages 53 to 55 of this circular
“Formal JV Contract”	a formal joint venture contract to be entered into between Shanghai SAC and Shanghai Building Material upon the receipt of the principal approvals from the relevant PRC government authorities on the Bailonggang Project
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprising all Independent Non-Executive Directors, namely Mr. Chan Sze Chung, Mr. Cheng Kin Chung and Ms. Doris Yang Yan Tung, established to advise the Independent Shareholders in respect of the terms of the Cooperation Agreement, the JV Principle Agreement and the respective transactions contemplated thereunder

DEFINITIONS

“Independent Financial Adviser”	Centurion Corporate Finance Limited, a licensed corporation permitted to engage in types 1, 4, 6 and 9 regulated activities as stipulated in the SFO, being appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Cooperation Agreement, the JV Principle Agreement and the respective transactions contemplated thereunder
“Independent Non-Executive Director(s)”	the independent non-executive director(s) of the Company
“Independent Shareholders”	shareholders of the Company who are not interested in the Cooperation Agreement and the JV Principle Agreement and are not required under the Listing Rules to abstain from voting at the EGM to approve the respective transactions contemplated under the Cooperation Agreement and the JV Principle Agreement
“JV Company”	a joint venture company to be established as a limited liability company in the PRC by Shanghai Building Material and Shanghai SAC
“JV Party(ies)”	Shanghai Building Material and/or Shanghai SAC
“JV Principle Agreement”	《關於設立合資公司(原則)協議》(Principle Agreement for the Establishment of the JV Company*) dated 13th February, 2012 entered into between Shanghai Building Material and Shanghai SAC setting out the principle and principal terms of the JV Company
“Latest Practicable Date”	13th March, 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Main Board”	Main Board of the Stock Exchange (excludes the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM Board of the Stock Exchange

DEFINITIONS

“Percentage Ratio(s)”	percentage ratio(s) as set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction
“PRC”	the People’s Republic of China, for the purpose of this circular only, excludes Taiwan, Hong Kong and the Macau Special Administrative Region of the People’s Republic of China
“Premises Vacation”	the vacation of the Shanghai Plant as part of the city planning and to facilitate the organisation of the World Expo 2010 in Shanghai, and for which site relocation compensation agreement was entered into between Shanghai SAC and 上海徐滙濱江開發投資建設有限公司 (Shanghai Xuhui Binjiang Development Investment Company Limited*) for land resumption on 27th November, 2009
“Prospectus”	the prospectus of the Company dated 30th December, 2011
“RMB”	Renminbi, the lawful currency of the PRC
“SAC Holdings”	Shanghai Allied Cement Holdings Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of Splendid Link
“SAC Intellectual”	SAC Intellectual Properties Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of Splendid Link
“SAC Investments”	SAC Investments Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Tian An
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shandong SAC”	Shandong Shanghai Allied Cement Co., Ltd. (山東上聯水泥發展有限公司), a company incorporated in the PRC with limited liability and whose entire equity interest is indirectly wholly-owned by the Company, which carries out the Group’s operations in Shandong province

DEFINITIONS

“Shanghai Building Material”	上海建築材料(集團)總公司(Shanghai Building Material (Group) General Company*), a state-owned enterprise holding the entire interest of Shanghai Cement Factory
“Shanghai Cement Factory”	上海水泥廠(Shanghai Cement Factory*), a company incorporated in the PRC and a wholly-owned subsidiary of Shanghai Building Material
“Shanghai Plant”	the previous plant in Xuhui District, Shanghai, the PRC operated by Shanghai SAC
“Shanghai SAC”	Shanghai Allied Cement Co., Ltd. (上海聯合水泥有限公司), a company incorporated in the PRC with limited liability and whose equity interest is held as to 60% by AII-Shanghai and as to 40% by Shanghai Cement Factory, which carries out the Group’s operations in Shanghai
“Share(s)”	share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Splendid Link”	Splendid Link Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sunwealth Holdings”	Sunwealth Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Tian An
“Tian An”	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 and indirectly owns 75% shareholding interest in the Company
“Transaction”	the proposed formation of the JV Company pursuant to the Cooperation Agreement and the JV Principle Agreement

DEFINITIONS

“US\$” United States dollars, the lawful currency of the United States

“%” per cent.

* *for identification purpose only*

For the purpose of this circular, translations of Renminbi into Hong Kong dollars or vice versa have been calculated by using an exchange rate of HK\$1 equal to RMB0.81. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were, may have been or will be exchanged at such rate or any other rates or at all.

LETTER FROM THE BOARD



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)

Executive Directors:

Ng Qing Hai (*Managing Director*)
Li Chi Kong
Yu Zhong

Independent Non-Executive Directors:

Chan Sze Chung
Cheng Kin Chung
Doris Yang Yan Tung

Registered Office:

Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

*Head office and principal place of
business in Hong Kong:*

22nd Floor
Allied Kajima Building
138 Gloucester Road
Wanchai
Hong Kong

16th March, 2012

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

PROPOSED FORMATION OF JOINT VENTURE

1. INTRODUCTION

As stated on pages 2 to 3 of the Prospectus, prior to the Premises Vacation, the Group had three plants, being the plants operated by each of Shandong SAC and Allied Wangchao, and the Shanghai Plant. As part of the city planning and to facilitate the organisation of World Expo 2010 in Shanghai, the Group had vacated the Shanghai Plant with a view to be relocated to the suburb Bailonggang (白龍港), Pudong, Shanghai at the periphery of Shanghai Sewage Treatment Plant (上海污水處理廠). The Group has been negotiating with Shanghai Municipal Government for a replacement site in Bailonggang and aiming at commencing construction of the Bailonggang Project by the end of 2012. To achieve that objective, the Group has come to an agreement with the PRC partner, Shanghai Building Material, shortly after the Chinese New Year holidays in the PRC.

LETTER FROM THE BOARD

On 15th February, 2012, the Company announced that Shanghai SAC, an indirect non wholly-owned subsidiary of the Company, entered into the Cooperation Agreement and the JV Principle Agreement with Shanghai Building Material for the purpose of setting up the JV Company pursuant to the terms and conditions therein on 13th February, 2012.

As the applicable Percentage Ratio for the Transaction exceeds 100%, the Transaction constitutes a very substantial acquisition for the Company pursuant to Rule 14.06(5) of the Listing Rules and is subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Moreover, to the best knowledge, information and belief of the Directors, Shanghai Building Material is a connected person of the Company by virtue of its beneficial interest in the 40% equity interest in Shanghai SAC. Accordingly, the Transaction shall also constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.17 of the Listing Rules, since the Transaction does not fall under any of the categories set out in Rules 14A.16(1) to (4) of the Listing Rules, it is subject to the reporting, announcement and independent shareholders' approval requirements for the Company.

The purposes of this circular are:

- (a) to provide you with further details of the Cooperation Agreement and the JV Principle Agreement;
- (b) to set out the recommendations from the Independent Board Committee and the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the terms of the Cooperation Agreement and the JV Principle Agreement and the respective transactions contemplated thereunder; and
- (c) to give the Shareholders notice of the EGM to be convened for the purpose of considering and, if thought fit, approving, inter alia, the terms of the Cooperation Agreement and the JV Principle Agreement and the respective transactions contemplated thereunder.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolution put forward at the EGM.

LETTER FROM THE BOARD

2. THE COOPERATION AGREEMENT

Date

13th February, 2012

Parties

- (1) Shanghai Building Material; and
- (2) Shanghai SAC.

As at the Latest Practicable Date, based on the information and confirmation provided by Shanghai Building Material and to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, Shanghai Building Material is a holding company of Shanghai Cement Factory which is a substantial shareholder holding 40% equity interest in Shanghai SAC. Accordingly, Shanghai Building Material is a connected person of the Company by virtue of its beneficial interest in the 40% equity interest in Shanghai SAC, a subsidiary of the Company.

As disclosed on page 117 of the Prospectus, the 40% equity interest in Shanghai SAC will be transferred from Shanghai Cement Factory to Shanghai Building Material due to the restructuring of the investment holdings of Shanghai Building Material. As advised by the Company's PRC legal advisers, the transfer is subject to the necessary approvals from the relevant government authorities which supervise the state-owned assets, however, it is not expected to have any material legal impediment for such transfer. Based on the information and confirmation provided by Shanghai Building Material, Shanghai Building Material was in the course of preparing the necessary applications to the relevant government authorities for approval of such transfer as at the Latest Practicable Date. Subject to the approval progress of the relevant government authorities, the transfer is targeted to be completed before the end of June 2012, and upon the completion of such transfer, Shanghai Building Material will be directly interested in the 40% equity interest in Shanghai SAC.

Formation of the JV Company

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. Shanghai Building Material and Shanghai SAC confirmed that, Shanghai Building Material, being the party to the Cooperation Agreement, shall include Shanghai Building Material or such other joint venture companies controlled by Shanghai Building Material.

Furthermore, the parties agreed to use "Shanghai Building Material (Group) General Company (Shanghai Allied Cement Co., Ltd.)" as the project proponent in connection with the project application (立項申請) of the Bailonggang Project with the relevant government authorities. If the approving government authorities raise any objections to such form of application, Shanghai SAC agrees the project be applied in the name of Shanghai Building Material, and Shanghai Building Material guarantees Shanghai SAC's

LETTER FROM THE BOARD

participation as the cooperative principal in the project and to reflect the same in its related application papers for the approval from the relevant government authorities on the Bailonggang Project. Both parties further agreed to state clearly in the application papers of the Bailonggang Project that the JV Company to be established, as a project company for the development and operation of the Bailonggang Project, is to facilitate the obtaining of the necessary approvals of the project from the relevant government authorities.

Pages 132 to 134 of the Prospectus preliminarily list out the necessary approvals in preparation, vetting and implementation of the Bailonggang Project. Set forth below are further details of the principal approvals required to be obtained from the relevant government authorities to commence the Bailonggang Project and the expected time of receipt which is subject to, inter alia, the approval progress by the relevant government authorities:

Approvals	Government Authorities	Obtained/Expected time of receipt
Approval on the Environment Assessment Report (環境評估報告)	Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部)	Obtained
Approval on the Regulatory Plan (控制性詳細規劃)	Shanghai Municipal Bureau of Planning and Land Resources (上海市規劃和國土資源管理局)	May 2012
Site Selection Advice (項目選址意見書)	Shanghai Municipal Bureau of Planning and Land Resources (上海市規劃和國土資源管理局)	June 2012
Pre-approval Advice on the Use of Land (用地預審意見)	Shanghai Municipal Bureau of Planning and Land Resources (上海市規劃和國土資源管理局)	June 2012
Approval on Project Application Report (項目申請報告)	Shanghai Municipal Development & Reform Commission (上海市發展和改革委員會)	Third quarter of 2012
Approval on Project Registering Report (項目申報報告)	National Development & Reform Commission (國家發展和改革委員會)	Third quarter of 2012

Note: The above list includes principal approvals for the Bailonggang Project only. Additional approvals may be required according to the actual situation of the Bailonggang Project.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Approval on the Environment Assessment Report (環境評估報告) has been obtained and the Regulatory Plan (控制性詳細規劃) was being reviewed by the relevant government authorities with respect to the Bailonggang Project. Upon receipt of the abovementioned principal approvals of the Bailonggang Project, the JV Parties will prepare and submit the necessary applications to the relevant government authorities for approval of the formation of the JV Company.

Management on the development of the Bailonggang Project

In order to manage the construction of the Bailonggang Project and the formation of the JV Company, Shanghai Building Material and Shanghai SAC will establish a dedicated team responsible for the execution of development plan and the supervision of the application and construction progress. Pursuant to the Cooperation Agreement, the chief officer (總指揮) and the deputy chief officer (第一副總指揮) of the team shall be appointed by Shanghai Building Material and Shanghai SAC respectively. The team may establish various working groups and recruit appropriate labour force as necessary according to the actual conditions of the development of the Bailonggang Project.

3. THE JV PRINCIPLE AGREEMENT

Date

13th February, 2012

Parties

- (1) Shanghai Building Material; and
- (2) Shanghai SAC.

Principal activities of the JV Company

Pursuant to the JV Principle Agreement, the JV Company is established to engage in the proposed business including, inter alia, the manufacture and sale of cement, clinker, cement products and new cementitious materials, trading of cement, clinker, cement products, new cementitious materials and other building materials, metal and non-metal mineral products, export and import or acting as trading agency of self-produced products, provision of technical services relating to the manufacture of cement, and treatment of mining waste and domestic waste. The proposed name of the JV Company is 上海建材聯合企業有限公司 (Shanghai Building Material Allied Enterprise Co., Ltd.*).

Capital contribution

Upon establishment, the JV Company will be held as to 50% by Shanghai Building Material and 50% by Shanghai SAC. Shanghai Building Material and Shanghai SAC will contribute their respective share of the registered capital in proportion to their respective shareholdings in the JV Company.

LETTER FROM THE BOARD

Pursuant to the JV Principle Agreement, the estimated total investment of the JV Company will amount to RMB1,980 million (equivalent to approximately HK\$2,444.4 million). The registered capital of the JV Company of RMB800 million (equivalent to approximately HK\$987.7 million) will be contributed as to RMB400 million (equivalent to approximately HK\$493.8 million) by each of Shanghai Building Material and Shanghai SAC. The difference between the estimated total investment amount and the registered capital, being RMB1,180 million (equivalent to approximately HK\$1,456.8 million), if required, will be financed by way of bank loans or borrowings from other financial institutions by the JV Company with or without guarantee from Shanghai Building Material and Shanghai SAC.

The estimation of the total investment of the JV Company was mainly based on the feasibility study report prepared by 天津水泥工業設計研究院有限公司 (Tianjin Cement Industry Design & Research Institute Co. Ltd.*) addressed to Shanghai Building Material in January 2012 on the Bailonggang Project with adjustments on estimated land cost and interest expenses. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Tianjin Cement Industry Design & Research Institute Co. Ltd. is an independent third party of the Group and its connected person. The breakdown of the estimated total investment is as follows:

Items	<i>RMB (million) approximately</i>
Construction works	580
Equipment	670
Installation cost	137
Land cost	422
Finance cost	51
Pre-operating and labour training expense	7
Construction unit management fee	9
Wharf sub-contracting fee	30
Others	25
Contingencies	49
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	1,980
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The estimated total investment amount of RMB1,980 million and the registered capital of RMB800 million of the JV Company were determined after arm's length negotiations between Shanghai Building Material and Shanghai SAC with reference to the estimated total cost for the development and construction of the Bailonggang Project. Upon reviewing the feasibility study report based on many years' experience of the management of Shanghai SAC in the cement industry and comparing the estimated total investments to cement production facilities with similar capacity, the management of Shanghai SAC advises and the Directors are of the view that the estimated total investment amount of the JV Company is fair and reasonable.

LETTER FROM THE BOARD

Save as disclosed above, there is no provision in the Cooperation Agreement or the JV Principle Agreement requiring any other capital commitment to be borne by the Group in respect of the formation of the JV Company.

Profit sharing of the JV Company

Pursuant to the JV Principle Agreement, any profits derived from the JV Company will be shared by the JV Parties proportionately to their respective shareholdings in the JV Company.

First right of refusal

Each JV Party can sell part or all of its interest in the JV Company with the consent of the other JV Party. Each JV Party will have a first right of refusal to acquire the interest to be sold by the other JV Party on equal terms offered to other parties after the JV Party initiates the sale of interest of the JV Company.

Board of directors and management of the JV Company

Pursuant to the JV Principle Agreement, the board of directors of the JV Company shall comprise ten directors, of which five directors will be appointed by each of Shanghai Building Material and Shanghai SAC.

The chairman who will also be the legal representative of the JV Company will be nominated by Shanghai Building Material. The vice chairman and the general manager of the JV Company will be nominated by Shanghai SAC.

Deadlock resolutions

In the event of a deadlock in relation to certain matters being proposed but not duly passed at a shareholders' meeting of the JV Company as set out in the articles of association of the JV Company, the JV Parties shall use their reasonable endeavours to resolve such dispute. If the dispute cannot be resolved and the deadlock situation continues for more than one year, the JV Party can dispose of its interest in the JV Company with the consent of the other JV Party which has pre-emptive right to acquire the interest on equal terms offered to other parties.

Term

The JV Company will have a term of 50 years commencing from the registration date of the JV Company approved by the relevant registration authorities in the PRC.

LETTER FROM THE BOARD

Conditions precedent

The formation of the JV Company shall be conditional upon all necessary approvals from the relevant authorities for the formation of the JV Company having been obtained by the JV Parties, and the shareholders of Shanghai SAC having complied with all of their respective obligations under the Listing Rules in relation to the Cooperation Agreement, JV Principle Agreement and the respective transactions contemplated thereunder.

As disclosed in the paragraph headed “Formation of the JV Company” in this Letter From the Board, the JV Parties will prepare and submit the necessary applications to the relevant government authorities for approval of the formation of the JV Company upon receipt of the principal approvals of the Bailonggang Project. Accordingly, the JV Parties have not obtained any approval from the relevant government authorities for the establishment of the JV Company as at the Latest Practicable Date.

4. FINANCIAL EFFECTS OF THE TRANSACTION

As disclosed on page 134 of the Prospectus, the previous estimated total cost budgeted for a new cement production line as a replacement of the Shanghai Plant was approximately RMB800 million, which represented one half of the estimated construction cost of two production lines. The Group’s 50% share of the estimated total investment of the JV Company for the new cement production plant with two production lines will now amount to RMB990 million. This increase in cost for two production lines was attributable to the adjustment by the construction cost for additional ancillary systems and increase in estimated financial costs.

It is expected that the JV Company will be a jointly controlled entity of the Company upon establishment. As disclosed on page 134 of the Prospectus, the estimated cost for the new production facilities for Bailonggang Project will be funded by the Company’s internal resources (which mainly come from the land resumption compensation attributable to the previous vacation of the Shanghai plant of Shanghai SAC in Xuhui District, Shanghai). As such, the capital commitment of RMB400 million will be financed by internal resources of Shanghai SAC, namely the aforesaid land resumption compensation received by Shanghai SAC.

Possible effects on earnings

The JV Company is not expected to bring in any immediate impact to the earnings of the Group upon its establishment. However, the Group’s financial income may be reduced after existing financial assets are disposed of to satisfy the capital commitment of the Group to the JV Company. The effects on the future earnings of the Group will depend on, among other things, the operating results of the JV Company. The Directors expect that the formation of the JV Company would be likely to have a positive impact on the Group’s future earnings, although the Group currently does not have sufficient information to forecast the timing.

LETTER FROM THE BOARD

Possible effects on net assets

The consolidated net assets of the Group would remain unchanged, as the capital commitment of RMB400 million will be financed by internal resources of Shanghai SAC. Upon establishment of the JV Company, its total assets and liabilities will not be consolidated into the accounts of the Group but the investment will be accounted for by using equity method.

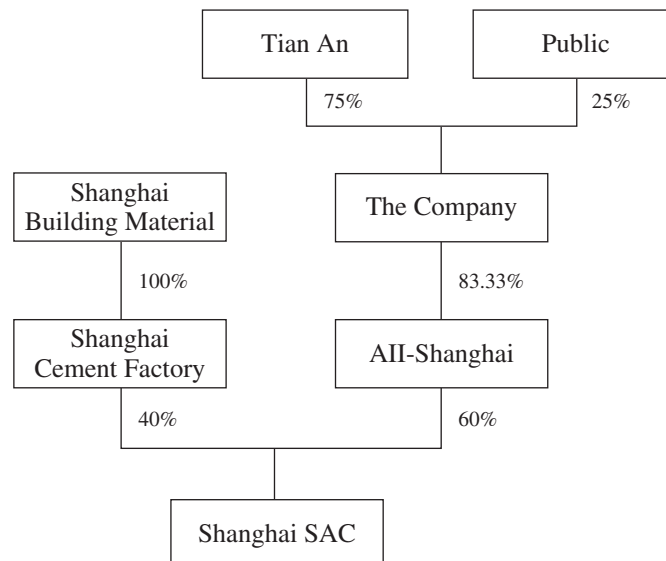
Possible effects on liquidity and gearing

Based on the information currently available, the current assumptions on how the JV Company would be funded, and the expected equity method of accounting of the investment in the JV Company, the total borrowings, total assets and total gearing of the Group (defined as total interest-bearing loans and shareholder's loans divided by total assets) are expected to remain relatively unchanged. It is expected that the difference between the estimated total investment amount and the registered capital, if required, will be financed by way of bank loans or borrowings from other financial institutions by the JV Company with or without guarantee from the JV Parties. Consequently, other financial impact to the Group would be dependent on the nature and extent of the guarantee borne by the Group.

5. CHANGE IN THE GROUP STRUCTURE UPON ESTABLISHMENT OF THE JV COMPANY

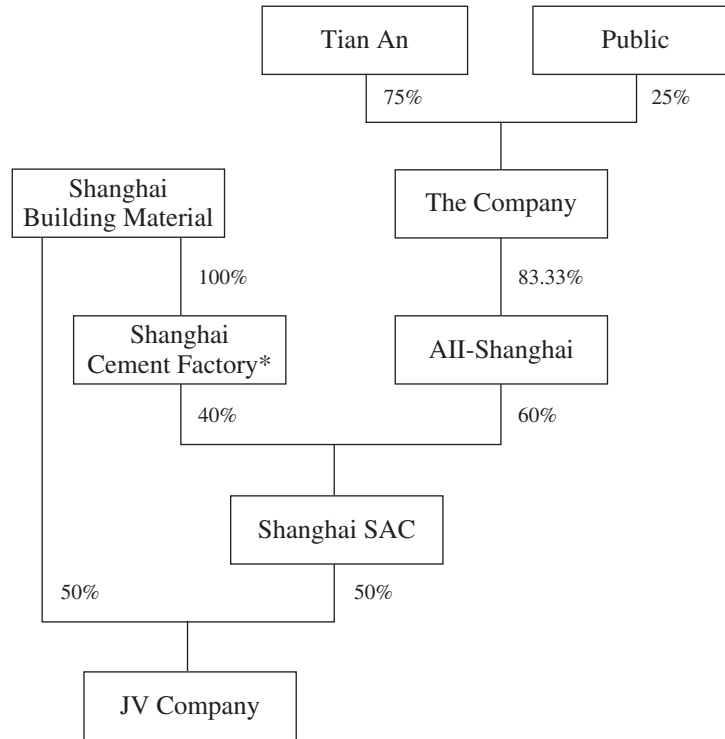
Set out below is the simplified corporate structure of the Company, Shanghai SAC and Shanghai Building Material as at the Latest Practicable Date and upon establishment of the JV Company:

As at the Latest Practicable Date:



LETTER FROM THE BOARD

Upon establishment of the JV Company:



* Upon completion of the transfer of the 40% equity interest in Shanghai SAC from Shanghai Cement Factory to Shanghai Building Material, Shanghai Building Material will be directly interested in the 40% equity interest in Shanghai SAC.

6. REASONS FOR THE FORMATION OF THE JV COMPANY

As disclosed on page 131 of the Prospectus, the Company intended to develop a new production plant at the replacement site in Bailonggang, Pudong, Shanghai and has been under discussions and negotiations with the relevant government authorities for feasibility and preparation work of the Bailonggang Project. The Directors consider that it is not economically beneficial, albeit feasible, for Shanghai SAC and Shanghai Building Material to build their respective own production plants on the same site and which, if implemented, will not be cost effective and efficient.

The Directors believe that the potential cooperation through the establishment of the JV Company with Shanghai Building Material allows the Group to reduce its own construction cost and management cost by sharing with Shanghai Building Material and to ride on the synergies of the two companies in terms of scale, production structure, market shares and logistics management and to expedite the development and construction of Bailonggang Project by leveraging on the resources and connections of Shanghai Building Material, being a state-owned enterprise, to possibly gain the support of the PRC government and benefit from the government preferential policies. Further, developing the Bailonggang Project by formation of the JV Company, as opposed to by Shanghai SAC alone, also reduces the capital obligations of the Group under the Bailonggang Project since the construction costs for several related

LETTER FROM THE BOARD

ancillary facilities would be shared by both JV Parties. The average construction costs of a cement production line together with related ancillary facilities under the cooperation model are expected to be less than the total construction costs of the same being borne by one party alone. Besides, the forthcoming theme park and local district developments will continue to provide significant stimulus to the construction industry. Therefore, in view of the continuous-growing construction industry which will in turn stimulate the market consumption demand of cement in Shanghai, the Group will possibly benefit from an increase in production capacity as a result of the Bailonggang Project.

The terms of the Cooperation Agreement and the JV Principle Agreement were negotiated after arm's length negotiation between the JV Parties. The Directors consider that the formation of the JV Company pursuant to the Cooperation Agreement and the JV Principle Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The JV Principle Agreement is legally binding on both JV Parties under the PRC laws and regulations. Upon receipt of the principal approvals from the relevant government authorities on the Bailonggang Project, the Formal JV Contract, which will supersede the JV Principle Agreement, will be entered into between the JV Parties.

7. INFORMATION ON THE BAILONGGANG PROJECT

As disclosed on page 128 of the Prospectus, following the Premises Vacation, a replacement site at Bailonggang, Pudong, Shanghai was proposed by the local government after various discussions with other relevant government authorities for construction of a new plant at the periphery of Shanghai Sewage Treatment Plant.

8. INFORMATION ON THE COMPANY AND SHANGHAI BUILDING MATERIAL

The Company

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 sale of cement and clinker, trading of cement and provision of technical services with operations in Shandong province and Shanghai in the PRC.

Shanghai Building Material

Shanghai Building Material is a state-owned enterprise holding the entire equity interest of Shanghai Cement Factory which in turn is interested in 40% equity interest in Shanghai SAC. Shanghai Building Material and Shanghai Cement Factory are engaged in, inter alia, the production of glass, cement and concrete, new-typed composite materials, new-typed wall materials, waterproof materials, thermal insulation materials and plastic tubes, trading of construction materials and building decorative construction. Shanghai Building Material has production bases in locations in the PRC including but not limited to Shanghai, Tianjin and Guangdong province.

LETTER FROM THE BOARD

9. LISTING RULES IMPLICATIONS OF THE TRANSACTION

As the applicable Percentage Ratio for the Transaction exceeds 100%, the Transaction constitutes a very substantial acquisition for the Company pursuant to Rule 14.06(5) of the Listing Rules and is subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Moreover, to the best knowledge, information and belief of the Directors, Shanghai Building Material is a connected person of the Company by virtue of its beneficial interest in the 40% equity interest in Shanghai SAC. Accordingly, the Transaction shall also constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.17 of the Listing Rules, since the Transaction does not fall under any of the categories set out in Rules 14A.16(1) to (4) of the Listing Rules, it is subject to the reporting, announcement and independent shareholders' approval requirements for the Company.

The Company has formed an Independent Board Committee to advise the Independent Shareholders on the terms of the Cooperation Agreement, the JV Principle Agreement and the respective transactions contemplated thereunder. An Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the transactions contemplated under the Cooperation Agreement and the JV Principle Agreement.

10. EGM

A notice convening the EGM is set out on pages 53 to 55 of this circular. An ordinary resolution will be proposed to the Independent Shareholders to consider and, if thought fit, to approve, inter alia, the terms of the Cooperation Agreement, the JV Principle Agreement and the respective transactions contemplated thereunder.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolution will be put to vote by way of poll at the EGM. Any announcement on the result of the vote by poll will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

As at the Latest Practicable Date, to the best knowledge, information and belief of the Directors, having made all reasonable inquiries, no Shareholders or their associates had material interests in the transactions contemplated under the Cooperation Agreement and the JV Principle Agreement nor were they required under Rule 14A.18 of the Listing Rules to abstain from voting on the resolution regarding the Cooperation Agreement and the JV Principle Agreement at the EGM.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not prevent Shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish.

11. RECOMMENDATION

The Board considers the respective terms of the Cooperation Agreement and the JV Principle Agreement are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Corporation Agreement, the JV Principle Agreement and the transactions contemplated thereunder.

12. ADDITIONAL INFORMATION

Your attention is drawn to the respective letters from the Independent Board Committee and the Independent Financial Adviser in this circular. As set out in the letter from the Independent Board Committee, the Independent Board Committee considers that the entering into of the Cooperation Agreement and the JV Principle Agreement is in the interests of the Company and the Shareholders and concurs with the views of Independent Financial Adviser that the respective terms of the Cooperation Agreement and the JV Principle Agreement are fair and reasonable so far as the Shareholders as a whole are concerned and therefore, recommends the Independent Shareholders to vote in favour of the ordinary resolution to approve the terms of the Cooperation Agreement and the JV Principle Agreement and the transactions contemplated thereunder.

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



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)

Registered Office:

Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

*Head office and principal place of
business in Hong Kong:*

22nd Floor
Allied Kajima Building
138 Gloucester Road
Wanchai
Hong Kong

16th March, 2012

To the Independent Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION
AND
CONNECTED TRANSACTION**

PROPOSED FORMATION OF JOINT VENTURE

We refer to the circular (the “Circular”) of Allied Cement Holdings Limited dated 16th March, 2012, of which this letter forms part. The terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

As the Independent Non-Executive Directors who are independent of the parties to the Cooperation Agreement and the JV Principle Agreement, we have been appointed to form this Independent Board Committee to advise you as to whether, in our opinion, the respective terms of the Cooperation Agreement and the JV Principle Agreement are fair and reasonable so far as the Shareholders as a whole are concerned.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Centurion Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise this Independent Board Committee on the fairness and reasonableness of the respective terms of the Cooperation Agreement and the JV Principle Agreement.

We wish to draw your attention to the letter from the Board, as set out on pages 7 to 19 of the Circular, and the letter of advice from the Independent Financial Adviser, as set out on pages 22 to 39 of the Circular, both of which provide details of the Cooperation Agreement and the JV Principle Agreement. Having considered the advice rendered by the Independent Financial Adviser and the principal factors and reasons taken into consideration by it in arriving its advice, we are of the opinion that the respective terms of the Cooperation Agreement and the JV Principle Agreement are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution which will be proposed at the EGM to approve the respective terms of the Cooperation Agreement and the JV Principle Agreement and the respective transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the

**Independent Board Committee of
Allied Cement Holdings Limited**

**Chan Sze Chung, Cheng Kin Chung
and Doris Yang Yan Tung**

Independent Non-Executive Directors

LETTER OF ADVICE FROM INDEPENDENT FINANCIAL ADVISER

Set out below is a full text of the letter of advice from the Independent Financial Adviser, Centurion Corporate Finance Limited to the Independent Board Committee and the Independent Shareholders in relation to the Cooperation Agreement and the JV Principle Agreement for the purpose of incorporation in this circular.



CENTURION CORPORATE FINANCE LIMITED 盛百利財務顧問有限公司

7th Floor, Duke Wellington House
14 - 24 Wellington Street
Central, Hong Kong

香港中環
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威靈頓公爵大廈7樓

Telephone : (852) 2525 2128
: (852) 2525 6026
Facsimile : (852) 2537 7622

16th March, 2012

*To the Independent Board Committee and the Independent Shareholders
Allied Cement Holdings Limited
22nd Floor, Allied Kajima Building
138 Gloucester Road
Wanchai
Hong Kong*

Dear Sirs,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

PROPOSED FORMATION OF JOINT VENTURE

INTRODUCTION

We have been engaged to advise the Independent Board Committee and the Independent Shareholders with respect to the terms and conditions of the Cooperation Agreement, the JV Principle Agreement and the respective transactions contemplated thereunder, details of which are outlined in the “Letter From The Board” set out from pages 7 to 19 of the circular dated 16th March, 2012 to the Shareholders (“Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed to give an opinion as to whether the terms and conditions of the Cooperation Agreement, the JV Principle Agreement and the respective transactions contemplated thereunder are of normal commercial terms, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Company and Tian An jointly announced on 15th February, 2012 the entering into of the Cooperation Agreement and the JV Principle Agreement. As the applicable Percentage Ratio for the Transaction exceeds 100%, the Transaction constitutes a very substantial

LETTER OF ADVICE FROM INDEPENDENT FINANCIAL ADVISER

acquisition for the Company pursuant to Rule 14.06(5) of the Listing Rules and is subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. Moreover, to the best of knowledge, information and belief of the Directors, Shanghai Building Material is a connected person of the Company by virtue of its beneficial interest in the 40% equity interest in Shanghai SAC. Accordingly, the Transaction shall also constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.17 of the Listing Rules, since the Transaction does not fall under any of the categories set out in Rules 14A.16(1) to (4) of the Listing Rules, it is subject to the reporting, announcement and independent shareholders' approval requirements for the Company.

Therefore, the Cooperation Agreement, the JV Principle Agreement and the respective transactions contemplated thereunder are subject to the approval of the Independent Shareholders by way of a poll at the EGM. As set out in the "Letter From The Board", as at the Latest Practicable Date, no Shareholders or their associates had material interests in the transactions contemplated under the Cooperation Agreement and the JV Principle Agreement nor would they be required under Rule 14A.18 of the Listing Rules to abstain from voting on the ordinary resolution regarding the Cooperation Agreement and the JV Principle Agreement and the respective transactions contemplated thereunder at the EGM. In this regard, please refer to the section headed "EGM" as set out in the "Letter From The Board" for further details.

The Independent Board Committee, comprising all the Independent Non-Executive Directors, namely Mr. Chan Sze Chung, Mr. Cheng Kin Chung and Ms. Doris Yang Yan Tung, has been established to advise the Independent Shareholders in respect of the terms of the Cooperation Agreement, the JV Principle Agreement and the respective transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the accuracy of the information, opinions and representation contained in the Circular, the Prospectus and other documents (including but not limited to the Cooperation Agreement and the JV Principle Agreement) which have been provided to us by the Executive Directors and for which they take full responsibility. We have also assumed that all statements, information, opinions and representations made or referred to in the Circular were true at the time they were made and at the date of this Circular and will continue to be true at the date of the EGM. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular are reasonably made after due and careful enquiry.

In respect of the financial information of the Group, we have relied principally on its audited and/or unaudited financial statements and for which the Directors take full responsibility. In respect of the future funding requirements of the JV Company's registered capital and debt financing for the plant to be constructed, and the financial details arising thereof, other than those set out in the "Letter From The Board", we do not have any further information. Given that the total investment in the JV Company is an estimate, financial

LETTER OF ADVICE FROM INDEPENDENT FINANCIAL ADVISER

information such as the future composition of equity and debt funding of the JV Company as outlined in the JV Principle Agreement is preliminary in nature and if applicable, the precise terms and conditions under which such bank debt financing could be procured are currently not ascertainable, we therefore do not express any view on the commercial feasibility of the new cement plant to be constructed by the JV Company.

We also understand from the Company that if any future funding of the JV Company's registered capital or other needs would include asset(s) contribution by the relevant parties in lieu of cash, such asset(s) contribution would be regarded as a disposal (or acquisition, as the case may be) of asset(s) by the Company under the Listing Rules and further compliance with the Listing Rules may then be required. That said, we understand from the Company that it is currently not aware of any specific plan for the aforesaid injection of asset(s), in lieu of cash, into the JV Company.

We have also sought and obtained confirmation from the Directors that, having made all reasonable enquiries and to the best of their knowledge and belief, no material facts have been omitted from the information provided and/or referred to in the Circular.

We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We consider that we have reviewed sufficient financial information to enable us to reach an informed view and to justify reliance on the accuracy of the information as contained in the Circular. We have not, however, conducted any form of independent or in-depth investigation into the businesses and affairs or the prospects of each of the Group, the JV Company (including the new plant to be constructed), Tian An, Shanghai SAC and Shanghai Building Material, or any of their respective subsidiaries, associates or parent companies, nor have we independently verified any of the information supplied to us.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

1. BACKGROUND

1.1 Information on the Group

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

As set out in the section headed "Our production facilities" on page 2 of the Prospectus, prior to the vacation of the Group's Shanghai Plant operated by Shanghai SAC in Xuhui District (徐匯區), Shanghai (i.e. the Shanghai Plant), the Group had three plants, being the plant operated by Shandong Shanghai Allied Cement Co., Ltd. (山東上聯水泥發展有限公司) ("Shandong SAC plant"), the plant operated by Shandong Allied Wangchao Cement Limited (山東聯合王晁水泥有限公司) ("Allied Wangchao plant") and the Shanghai Plant.

LETTER OF ADVICE FROM INDEPENDENT FINANCIAL ADVISER

As part of the city planning and to facilitate the organisation of World Expo 2010 in Shanghai, the Group had vacated from its Shanghai Plant, with a view to be relocated to the suburb Bailonggang (白龍港), Pudong, Shanghai at the periphery of Shanghai Sewage Treatment Plant (上海污水處理廠). In this connection, the Group entered into a site relocation compensation agreement with a local government entity in Shanghai, for land resumption on 27th November, 2009. Due to the Premises Vacation, the Group was entitled to a total compensation of RMB799.9 million, of which RMB749.9 million had been received up to 30th June, 2011 as disclosed in the Prospectus.

The following is an overview of the breakdown in segment revenue and gross profit of the Group for the three years ended 31st December, 2008, 2009 and 2010 and for the six months ended 30th June, 2010 and 2011 respectively by activity as extracted from the Prospectus:

Table A: Segment revenue/gross profit of the Group for the three years ended 31st December, 2008, 2009 and 2010 and the six months ended 30th June, 2010 and 2011 respectively

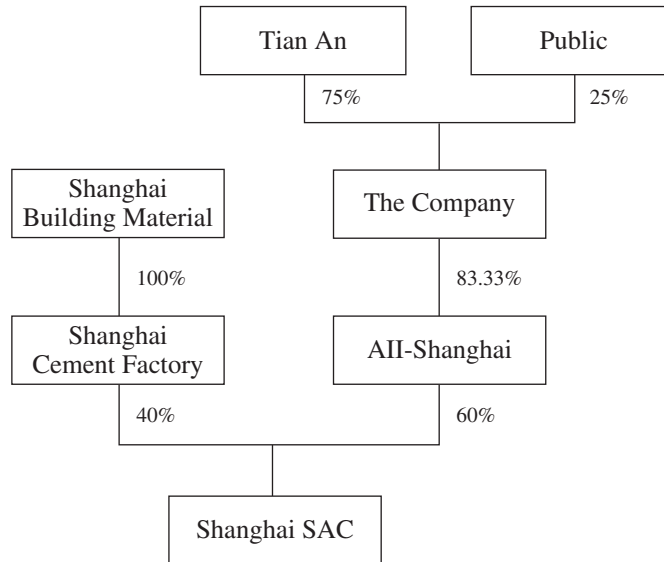
	Year ended 31st December,			Six months ended	
	2008	2009	2010	30th June, 2010	2011
Revenue (HK\$'000)					
Manufacture and sale of					
cement and clinker	552,847	490,116	296,309	118,261	217,065
Trading of cement	–	–	154,380	43,588	174,594
Provision of technical services	3,068	–	755	–	–
Total	<u>555,915</u>	<u>490,116</u>	<u>451,444</u>	<u>161,849</u>	<u>391,659</u>
Gross profit (HK\$' 000)					
Manufacture and sale of					
cement and clinker	43,726	31,058	45,628	3,201	56,003
Trading of cement	–	–	5,885	1,116	5,962
Provision of technical services	3,068	–	335	–	–
Total	<u>46,794</u>	<u>31,058</u>	<u>51,848</u>	<u>4,317</u>	<u>61,965</u>

Source: pages 1 and 2 of the Prospectus

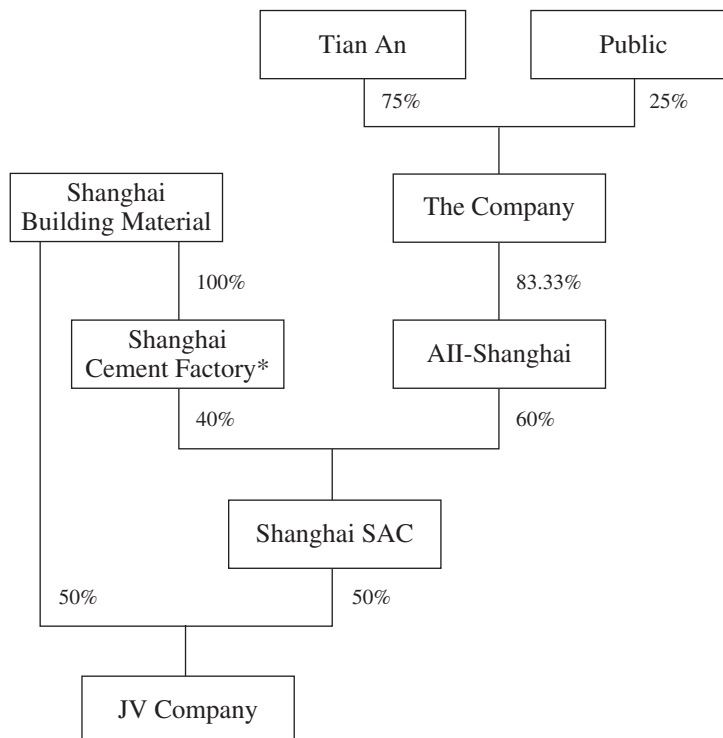
LETTER OF ADVICE FROM INDEPENDENT FINANCIAL ADVISER

Set out below is the simplified corporate structure of the Company, Shanghai SAC and Shanghai Building Material as at the Latest Practicable Date and upon establishment of the JV Company:

As at the Latest Practicable Date:



Upon establishment of the JV Company:



* Note: Upon completion of the transfer of the 40% equity interest in Shanghai SAC from Shanghai Cement Factory to Shanghai Building Material, Shanghai Building Material will be directly interested in the 40% equity interest in Shanghai SAC.

LETTER OF ADVICE FROM INDEPENDENT FINANCIAL ADVISER

1.2 Information on the plants

The Group's operation in Shanghai has undergone substantial changes as it has ceased cement and clinker manufacturing activities as a result of the Premises Vacation and currently conducts trading of cement only. The Group's operation in Shandong has also undergone changes where (i) Allied Wangchao plant, which previously manufactured and sold only clinker, commenced trial production of cement in October 2010; and (ii) Shandong SAC plant, which previously manufactured cement, has since April 2011 ceased this activity and currently produces slag only.

The following is an overview of the breakdown in segment revenue and gross profit of each of the Group's production plants for the three years ended 31st December, 2008, 2009 and 2010 and for the six months ended 30th June, 2010 and 2011 respectively by activity as extracted from the Prospectus:

Table B: Segment revenue/gross profit of each of the Group's production plants for the three years ended 31st December, 2008, 2009 and 2010 and the six months ended 30th June, 2010 and 2011 respectively

	Year ended 31st December,			Six months ended	
	2008	2009	2010	30th June, 2010	2011
Revenue (HK\$' 000)					
Shanghai Plant	322,803	242,298	154,380*	43,588*	174,594*
Allied Wangchao plant	157,678	103,038	144,634	48,889	188,119 [#]
Shandong SAC plant	75,434	144,780	152,430	69,372	28,946 [#]
Total	<u>555,915</u>	<u>490,116</u>	<u>451,444</u>	<u>161,849</u>	<u>391,659</u>
Gross profit (HK\$' 000)					
Shanghai Plant	14,301	2,829	5,885*	1,116*	5,962*
Allied Wangchao plant	23,470	9,121	29,030	2,116	54,091
Shandong SAC plant	9,023	19,108	16,933	1,085	1,912
Total	<u>46,794</u>	<u>31,058</u>	<u>51,848</u>	<u>4,317</u>	<u>61,965</u>

Notes:

* Since the Premises Vacation, Shanghai Plant had ceased cement manufacturing and is involved in cement trading activities only. The above revenue and gross profit were therefore derived from cement trading activities.

Among the revenue of HK\$188.1 million of Allied Wangchao plant, approximately HK\$86.2 million, representing 256,496 tons of cement, represented intercompany sales to Shandong SAC plant at market price. Shandong SAC then onward sold to the customers of the Group without mark-ups during the transitional period between which customers were being progressively transferred from Shandong SAC (prior to its cessation of cement production in April 2011) to Allied Wangchao. For presentation on such transitional arrangement, HK\$86.2 million intercompany sales was added back to the revenue of Allied Wangchao plant and the same amount was deducted from the revenue of Shandong SAC plant.

Source: pages 4 to 6 of the Prospectus

LETTER OF ADVICE FROM INDEPENDENT FINANCIAL ADVISER

As set out in the section headed “Summary Of Historical Financial Information” on page 15 of the Prospectus, revenue of the Group decreased by 7.9% to HK\$451.4 million for the year ended 31st December, 2010 from HK\$490.1 million for the year ended 31st December, 2009, mainly due to the cessation of manufacturing and sale of cement and clinker in Shanghai upon the Premises Vacation in December 2009.

The following table summarises the Group’s production capacity for cement, clinker and slag for the three years ended 31st December, 2008, 2009 and 2010 respectively and for the six months ended 30th June, 2011 and the period from 1st April, 2011 to 22nd December, 2011 by activity as extracted from the Prospectus:

Table C: Production capacity for cement, clinker and slag for each of the Group’s production plants for the three years ended 31st December, 2008, 2009 and 2010 respectively and the six months ended 30th June, 2011 and the period from 1st April, 2011 to 22nd December, 2011

	For the years ended 31st December,			For the six months ended 30th June, 2011	From 1st April, 2011 to 22nd December, 2011
	2008	2009	2010		
Cement					
Cement production capacity (tons per annum) <i>(Note 1)</i>					
Shanghai Plant	1,000,000	1,000,000	–	–	–
Shandong SAC plant	700,000	700,000	700,000	700,000 <i>(Note 2)</i>	–
Allied Wangchao plant	–	–	1,000,000	1,000,000	1,000,000
	<u>–</u>	<u>–</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Total	<u>1,700,000</u>	<u>1,700,000</u>	<u>1,700,000</u>	<u>1,700,000</u>	<u>1,000,000</u>
Clinker					
Clinker production capacity (tons per day)					
Shanghai Plant	2,000	2,000	–	–	–
Allied Wangchao plant	2,500	2,500	2,500	2,500	2,500
	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>
Total	<u>4,500</u>	<u>4,500</u>	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>
Slag					
Slag production capacity (tons per annum)					
Shandong SAC plant	–	–	–	160,000	160,000
	<u>–</u>	<u>–</u>	<u>–</u>	<u>160,000</u>	<u>160,000</u>
Total	<u>–</u>	<u>–</u>	<u>–</u>	<u>160,000</u>	<u>160,000</u>

LETTER OF ADVICE FROM INDEPENDENT FINANCIAL ADVISER

Notes:

1. The production capacity of cement set out is quantified by tons per annum for each period. Specifically, tons of production capacity of each plant during the period measured in annual terms.
2. The production capacity of cement of Shandong SAC plant represents its production capacity before April 2011, where afterwards, it ceased to produce cement and engaged in production of slag only.

Source: pages 6 and 7 of the Prospectus

2. INFORMATION OF SHANGHAI BUILDING MATERIAL

As set out in the “Letter From The Board”, Shanghai Building Material is a holding company of Shanghai Cement Factory which is a substantial shareholder holding 40% equity interest in Shanghai SAC. Shanghai Building Material and Shanghai Cement Factory are engaged in, among other things, the production of glass, cement and concrete, new-typed composite materials, new-typed wall materials, waterproof materials, thermal insulation materials and plastic tubes, trading of construction materials and building decorative construction. Shanghai Building Material has production bases in locations in the PRC including but not limited to Shanghai, Tianjin and Guangdong province.

3. PRINCIPAL TERMS OF THE AGREEMENTS

The principal terms of the Cooperation Agreement and the JV Principle Agreement entered into by each of Shanghai Building Material and Shanghai SAC on 13th February, 2012 are as follows:

3.1 The Cooperation Agreement

As set out in the “Letter From The Board”, Shanghai Building Material is a holding company of Shanghai Cement Factory which is a substantial shareholder holding 40% equity interest in Shanghai SAC. Accordingly, Shanghai Building Material is a connected person of the Company by virtue of its beneficial interest in the 40% equity interest in Shanghai SAC, a subsidiary of the Company.

As disclosed on page 117 of the Prospectus, the 40% equity interest in Shanghai SAC will be transferred from Shanghai Cement Factory to Shanghai Building Material due to the restructuring of the investment holdings of Shanghai Building Material. As set out in the “Letter From The Board”, as advised by the Company’s PRC legal advisers, the transfer is subject to the necessary approvals from the relevant government authorities which supervise the state-owned assets, however, it is not expected to have any material legal impediment for such transfer. Based on the information and confirmation provided by Shanghai Building Material, it was in the course of preparing the necessary applications to the relevant government authorities for approval of such transfer as at the Latest Practicable Date. Subject to the approval progress of the government authorities, the transfer is targeted to be completed before the end of June 2012, and upon the completion of such transfer, Shanghai Building Material will be directly interested in the 40% equity interest in Shanghai SAC.

LETTER OF ADVICE FROM INDEPENDENT FINANCIAL ADVISER

Formation of the JV Company

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. Shanghai Building Material and Shanghai SAC confirmed that, Shanghai Building Material, being the party to the Cooperation Agreement, shall include Shanghai Building Material or such other joint venture companies controlled by Shanghai Building Material.

Furthermore, the parties agreed to use “Shanghai Building Material (Group) General Company (Shanghai Allied Cement Co., Ltd.)” as the project proponent in connection with the project application (立項申請) of the Bailonggang Project with the relevant government authorities. If the approving government authorities raise any objections to such form of application, Shanghai SAC agrees the project be applied in the name of Shanghai Building Material, and Shanghai Building Material guarantees Shanghai SAC’s participation as the cooperative principal in the project and to reflect the same in its related application papers for the approval from the relevant government authorities on the Bailonggang Project. Both parties further agreed to state clearly in the application papers of the Bailonggang Project that the JV Company to be established as a project company for the development and operation of the Bailonggang Project is to facilitate the obtaining of the necessary approvals of the project from the relevant government authorities.

As set out in the “Letter From The Board”, pages 132 to 134 of the Prospectus preliminarily list out the necessary approvals in preparation, vetting and implementation of the Bailonggang Project. Set forth below are further details of the principal approvals required to be obtained from the relevant government authorities to commence the Bailonggang Project and the expected time of receipt which is subject to, inter alia, the approval progress by the relevant government authorities:

Approvals	Government Authorities	Obtained/Expected time of receipt
Approval on the Environment Assessment Report (環境評估報告)	Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部)	Obtained
Approval on the Regulatory Plan (控制性詳細規劃)	Shanghai Municipal Bureau of Planning and Land Resources (上海市規劃和國土資源管理局)	May 2012

LETTER OF ADVICE FROM INDEPENDENT FINANCIAL ADVISER

Approvals	Government Authorities	Obtained/Expected time of receipt
Site Selection Advice (項目選址意見書)	Shanghai Municipal Bureau of Planning and Land Resources (上海市規劃和國土資源管理局)	June 2012
Pre-approval Advice on the Use of Land (用地預審意見)	Shanghai Municipal Bureau of Planning and Land Resources (上海市規劃和國土資源管理局)	June 2012
Approval on Project Application Report (項目申請報告)	Shanghai Municipal Development & Reform Commission (上海市發展和改革委員會)	Third quarter of 2012
Approval on Project Registering Report (項目申報報告)	National Development & Reform Commission (國家發展和改革委員會)	Third quarter of 2012

Note: The above list includes principal approvals for the Bailonggang Project only. Additional approvals may be required according to the actual situation of the Bailonggang Project.

As at the Latest Practicable Date, the Approval on the Environment Assessment Report (環境評估報告) was obtained and the Regulatory Plan (控制性詳細規劃) was being reviewed by the relevant government authorities with respect to the Bailonggang Project. Upon receipt of the abovementioned principal approvals of the Bailonggang Project, the JV Parties will prepare and submit the necessary applications to the relevant government authorities for approval of the formation of the JV Company.

We take the view that the aforesaid arrangements are fair and reasonable. Our view is premised on our understanding that given the JV Company has yet to be established and as a result, the possible uncertainty arising from using the “Shanghai Building Material (Group) General Company (Shanghai Allied Cement Co., Ltd.)” as the project proponent in connection with the project application (立項申請) of the Bailonggang Project. Had the JV Company been established, such project application would have been made under the JV Company’s name.

Management on the development of the Bailonggang Project

In order to manage the construction of the Bailonggang Project and the formation of the JV Company, Shanghai Building Material and Shanghai SAC will establish a dedicated team responsible for the execution of development plan and the supervision of the application and construction progress. Pursuant to the Cooperation Agreement, the chief officer (總指揮) and the deputy chief officer (第一副總指揮) of the team shall be appointed by Shanghai Building Material and Shanghai SAC respectively. The team may establish various working groups and recruit appropriate labour force as necessary according to the actual conditions of the development of the Bailonggang Project.

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We are of the view that the principal terms of the Cooperation Agreement outlined the parameters and terms for the co-operation and development of the Bailonggang Project going forward between the JV Parties and such parameters and terms are in our view, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

3.2 The JV Principle Agreement

Principal activities of the JV Company

Pursuant to the JV Principle Agreement, the JV Company is established to engage in the proposed business including, among other things, the manufacture and sale of cement, clinker, cement products and new cementitious materials, trading of cement, clinker, cement products, new cementitious materials and other building materials, metal and non-metal mineral products, export and import or acting as trading agency of self-produced products, provision of technical services relating to the manufacture of cement, and treatment of mining waste and domestic waste. The proposed name of the JV Company is 上海建材聯合企業有限公司 (Shanghai Building Material Allied Enterprise Co., Ltd.).

The aforesaid principal activities are the same as those of the Shanghai Plant and of the Group and such stipulation of principal activities to be undertaken by a joint venture company is in line with market practice.

Capital contribution

Upon establishment, the JV Company will be held as to 50% by Shanghai Building Material and 50% by Shanghai SAC. Shanghai Building Material and Shanghai SAC will contribute their respective share of the registered capital in proportion to their respective shareholdings in the JV Company.

Pursuant to the JV Principle Agreement, the estimated total investment of the JV Company will amount to RMB1,980 million (equivalent to approximately HK\$2,444.4 million). The registered capital of the JV Company of RMB800 million (equivalent to approximately HK\$987.7 million) will be contributed as to RMB400 million (equivalent to approximately HK\$493.8 million) by each of Shanghai Building Material and Shanghai SAC. The difference between the estimated total investment amount and the registered capital, being RMB1,180 million (equivalent to approximately HK\$1,456.8 million), if required, will be financed by way of bank loans or borrowings from other financial institutions by the JV Company with or without guarantee from Shanghai Building Material and Shanghai SAC.

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As set out in the “Letter From The Board”, the estimation of the total investment of the JV Company was mainly based on the feasibility study report on the Bailonggang Project prepared by a research and design institute in the PRC in January 2012 (the “R&D Institute”, please refer to the “Letter From The Board” for further details) and with adjustments on estimated land cost (an additional RMB171 million) and interest expenses (an additional RMB16 million was adjusted to the finance cost in the table below) made by the Executive Directors to the estimated total investment as set out in such report. We understand that:

- (i) this report was procured by Shanghai Building Material;
- (ii) to the best of the Executive Director’s knowledge, information and belief, having made all reasonable enquiries, the R&D Institute is an independent third party of the Group and its connected persons; and
- (iii) the aforesaid adjustment on estimated land cost made by the Executive Directors is based on certain information given by Shanghai Building Material and is supported by a report from a PRC investment advisory firm (which is not a property valuer). This report relating to the land cost estimate was made available to us for our review by the Company.

The breakdown of the estimated total investment (including the adjustments made) is as follows:

Items	RMB (million) <i>approximately</i>
Construction works	580
Equipment	670
Installation cost	137
Land cost	422
Finance cost	51
Pre-operating and labour training expenses	7
Construction unit management fee	9
Wharf sub-contracting fee	30
Contingencies	49
Others	25
	<hr/>
	1,980
	<hr/> <hr/>

As set out in the “Letter From The Board”, upon reviewing the feasibility study report, based on the many years’ experience of the management of Shanghai SAC in the cement industry and comparing the estimated total investments to cement production facilities with similar capacity, the management of Shanghai SAC advises, and the Executive Directors are of the view, that the estimated total investment amount of the JV Company is fair and reasonable.

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As set out in the section headed “Our production facilities” on page 2 of the Prospectus, Shanghai SAC was entitled to a total consideration of RMB799.9 million (equivalent to approximately HK\$987.6 million) arising from the Premises Vacation. In view of the fact that the aforesaid proposed funding arrangements of the JV Company will be on a pro-rata basis to the respective interests of the JV Parties and insofar as Shanghai SAC is concerned, will also take into account the settlement consideration arising from the Premises Vacation, we are of the view that the aforesaid funding arrangements are fair and reasonable. Our view is based on the assumption that, if required in the future, any guarantee on the bank loans or borrowings from other financial institutions by the JV Company will only be granted by each of the JV Parties on a pro rata basis.

We further note that as outlined in the “Letter From The Board”, the estimated total investment amount of RMB1,980 million and the registered capital of RMB800 million of the JV Company were determined after arm’s length negotiations between Shanghai Building Material and Shanghai SAC with reference to the estimated total cost for the development and construction of the Bailonggang Project. The Executive Directors are of the view that the estimated total investment amount of the JV Company is fair and reasonable.

Save as disclosed above, as set out in the “Letter From The Board”, there is no provision in the Cooperation Agreement or the JV Principle Agreement requiring other significant capital commitment to be borne by the Group in respect of the formation of the JV Company.

Our views:

In view of the aforesaid and as the negative statement on significant capital commitment (and the estimated total investment amount of RMB1,980 million) are based on an estimation of total investment of the JV Company as set out in the aforesaid feasibility study report on the Bailonggang Project, we take the view that such statement on “no other significant capital commitment”, albeit preliminary in nature in light of the circumstances of the JV Company and its Bailonggang Project as set out below, is reasonably arrived at by the Executive Directors.

We are further of the view that the Executive Directors appear to have taken reasonable care to ensure the estimated total investment amount as set out in the aforesaid feasibility study report would be reasonably accurate, as evidenced by their subsequent adjustments on estimated land cost and interest expenses made to such estimated total investment amount, following their receipt of the said report. That said, Independent Shareholders should note the following:

- (i) the Bailonggang Project, which is to replace the Shanghai Plant, is of importance to the Group and the intention to proceed with this project was clearly stated in the Prospectus;
- (ii) the Bailonggang Project is capital intensive and most of the risks set out in the “Risk Factors” section in the Prospectus are applicable to this project;

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- (iii) to mitigate such risks, the Executive Directors appear to have taken the reasonable steps by relying to a considerable extent on Shanghai Building Material, the Group's long term joint venture partner dating back to the then Shanghai Plant, which has procured the aforesaid feasibility study report and subject to the approval of the Independent Shareholders as hereby sought, will play an important role in the application and execution process of the Bailonggang Project; and
- (iv) given the complexity, size and preliminary status of the Bailonggang Project, its estimated total investment cost is at best, an estimate only.

In view of the aforesaid, we are of the opinion that the works carried out by the Executive Directors, insofar as the estimated total investment cost of the Bailonggang Project is concerned, are reasonably sufficient.

Profit sharing of the JV Company

Pursuant to the JV Principle Agreement, any profits derived from the JV Company will be shared by the JV Parties proportionately to their respective shareholdings in the JV Company. As the future profit sharing will be in proportion to the respective shareholdings of the JV Parties, such profit sharing is thus fair and reasonable.

First right of refusal

Each JV Party can sell part or all of its interest in the JV Company with the consent of the other JV Party. Each JV Party will have a first right of refusal to acquire the interest to be sold by the other JV Party on equal terms offered to other parties after the JV Party initiates the sale of interest of the JV Company. Given that first right of refusal arrangement is a common practice for any joint venture which allows, insofar as the JV Company is concerned, a JV Party to have the first right to buy out the other exiting JV Party and in so doing, affords certain control on the shareholder composition of the JV Company, we are of the view that such first right of refusal, which is common in any joint venture agreement, is fair and reasonable.

Board of directors and management of the JV Company

Pursuant to the JV Principle Agreement, the board of directors of the JV Company shall comprise ten directors, of which five directors will be appointed by each of Shanghai Building Material and Shanghai SAC. We take the view that this is fair and reasonable as it reflects the respective shareholdings of the JV Parties.

The chairman who will also be the legal representative of the JV Company will be nominated by Shanghai Building Material. The vice chairman and the general manager of the JV Company will be nominated by Shanghai SAC. We are also of the view that such nomination of the chairman (who will also be the legal representative of the JV Company) by Shanghai Building Material is fair and reasonable, given its state-owned enterprise status and the fact that it will have a direct 50% equity interest and an indirect and effective equity interest of 20% (via Shanghai SAC) in the JV Company upon completion of the Transaction.

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Deadlock resolutions

In the event of a deadlock in relation to certain matters being proposed but not duly passed at a shareholders' meeting of the JV Company as set out in the articles of association of the JV Company, the JV Parties shall use their reasonable endeavours to resolve such dispute. If the dispute cannot be resolved and the deadlock situation continues for more than one year, the JV Party can dispose of its interest in the JV Company with the consent of the other JV Party which has pre-emptive right to acquire the interest on equal terms offered to other parties. In view of the fact that (i) the JV Parties will each have a 50% equity interest in the JV Company, the availability of deadlock resolutions, which can be viewed as a form of exit, is in the interest of the Company; and (ii) as such deadlock resolutions can be applied by each of the JV Parties, they are in our view, fair and reasonable.

Term

The JV Company will have a term of 50 years commencing from the registration date of the JV Company approved by the relevant registration authorities in the PRC.

Conditions precedent

The formation of the JV Company shall be conditional upon all necessary approvals from the relevant authorities for the formation of the JV Company having been obtained by the JV Parties, and the shareholders of Shanghai SAC having complied with all of their respective obligations under the Listing Rules in relation to the Cooperation Agreement, the JV Principle Agreement and the respective transactions contemplated thereunder.

As set out in the "Letter From The Board", the JV Parties will prepare and submit the necessary applications to the relevant government authorities for approval of the formation of the JV Company upon receipt of the principal approvals of the Bailonggang Project. Accordingly, the JV Parties have not obtained any approval from the relevant government authorities for the establishment of the JV Company as at the Latest Practicable Date.

The JV Principle Agreement sets out the principal terms and conditions which regulate the rights, obligations and dispute resolution of the JV Parties and these terms and conditions are based on normal commercial terms and the future commercial benefits, investment returns and risks are to be distributed among the JV Parties on a pro-rata basis, which we consider fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

As set out in the "Letter From The Board", the JV Principle Agreement is legally binding on both JV Parties under the PRC laws and regulations. Upon receipt of the principal approvals from the relevant government authorities on the Bailonggang Project, the Formal JV Contract, which will supersede the JV Principle Agreement, will be entered into between the JV Parties.

4. REASONS FOR THE FORMATION OF THE JV COMPANY

As disclosed on page 131 of the Prospectus, the Company intended to develop a new production plant at the replacement site in Bailonggang, Pudong, Shanghai and has been under discussions and negotiations with the relevant government authorities for feasibility and preparation work of the Bailonggang Project. The Executive Directors consider that it is not economically beneficial, albeit feasible, for Shanghai SAC and Shanghai Building Material to build their respective own production plants on the same site and which, if implemented, will not be cost effective and efficient.

The Executive Directors believe that the potential cooperation through the establishment of the JV Company with Shanghai Building Material allows the Group to reduce its own construction cost and management cost by sharing with Shanghai Building Material and to ride on the synergies of the two companies in terms of scale, production structure, market shares and logistics management and to expedite the development and construction of Bailonggang Project by leveraging on the resources and connections of Shanghai Building Material, being a state-owned enterprise, to possibly gain the support of the PRC government and benefit from the government preferential policies. Further, developing the Bailonggang Project by formation of the JV Company, as opposed to by Shanghai SAC alone, also reduces the capital obligations of the Group under the Bailonggang Project since the construction costs for several related ancillary facilities would be shared by both JV Parties. The average construction costs of a cement production line together with related ancillary facilities under the cooperation model are expected to be less than the total construction costs of the same being borne by one party alone.

We understand the aforesaid benefits expected to be derived through the establishment of the JV Company with Shanghai Building Material, when compared to building a new plant by Shanghai SAC alone, is based on the qualitative judgment of the Executive Directors as we are not aware of any quantitative analysis comparing the difference between costs and benefits under each of the two scenarios.

As stated in the “Letter From The Board” the forthcoming theme park and local district developments will continue to provide significant stimulus to the construction industry. Therefore, in view of the expected market consumption demand of cement in Shanghai due to the above factor, we concur with the view of the Directors that the Group will possibly benefit from an increase in production capacity as a result of the Bailonggang Project.

The terms of the Cooperation Agreement and the JV Principle Agreement were negotiated after arm’s length negotiation between the JV Parties. The Executive Directors consider that the formation of the JV Company pursuant to the Cooperation Agreement and the JV Principle Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered that the Company’s stated intention is to develop a new production plant at the replacement site in Bailonggang, Pudong, Shanghai and the view of the Executive Directors (albeit preliminary and qualitative in nature) that it is not economically beneficial for

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Shanghai SAC and Shanghai Building Material to build their respective own production plants on the same site as set out above, we are of the view that the reasons for the formation of the JV Company as cited by the Executive Directors are fair and reasonable.

5. POSSIBLE FINANCIAL EFFECTS OF THE TRANSACTION ON THE GROUP

The previous estimated total cost budgeted for the new cement production plant as a replacement of the Shanghai Plant was approximately RMB800 million (equivalent to approximately HK\$987.7 million), details of which are as set out on various pages in the Prospectus. The reason for the increase in the estimated total investment of the JV Company for the new cement production plant which will now amount to RMB1,980 million (equivalent to approximately HK\$2,444.4 million) is set out in the “Letter From The Board”.

As set out in the “Letter From The Board”, it is expected that the JV Company will be a jointly controlled entity of the Company upon establishment. As disclosed on page 134 of the Prospectus, the estimated cost for the new production facilities for Bailonggang Project will be funded by the Company’s internal resources (which mainly come from the land resumption compensation attributable to the previous vacation of the Shanghai Plant of Shanghai SAC in Xuhui District, Shanghai). As such, the capital commitment of RMB400 million will be financed by internal resources of Shanghai SAC, namely the aforesaid land resumption compensation received by Shanghai SAC.

As at the Latest Practicable Date, the management of Shanghai SAC did not have enough information to forecast the timing for injection of the capital commitment of RMB400 million in the JV Company.

As set out in the section headed “Accountants’ Report Of The Company” on page I-2 of Appendix I to the Prospectus, prior to the establishment of the JV Company, Shanghai SAC, which has an effective equity interest attributable to the Group of 50%, has been a subsidiary of the Company and its accounts had been consolidated into the accounts of the Group over the past financial years. As the JV Company will be a jointly controlled entity of the Company upon establishment, we understand from management of the Company that the future results of the JV Company will be equity accounted for in the Group’s financial statements only, as the effective equity interest in the JV Company attributable to the Group will be approximately 25%. We further understand from management of the Company that other possible financial effects are as follows.

5.1 Possible effects on earnings

The JV Company is not expected to bring in any immediate impact to the earnings of the Group upon its establishment of the JV Company. However, the Group’s financial income may be reduced after its existing financial assets are disposed of to satisfy the capital commitment of the Group to the JV Company. The effects on the future earnings of the Group will depend on, among other things, the operating results of the JV Company. The Executive Directors expect that the formation of the JV Company would likely to have a positive impact on the

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Group's future earnings but given the preliminary status of the JV Company, the Executive Directors are not in a position to state when such an impact on earnings can be accounted for under the "equity method" of accounting.

5.2 Possible effects on net assets

The consolidated net assets of the Group would remain unchanged, as the capital commitment of RMB400 million will be financed by internal resources of Shanghai SAC and upon its establishment of the JV Company, the total assets and liabilities of the JV Company will not be consolidated into the accounts of the Group but the investment in the JV Company will be accounted for under the "equity method" of accounting.

5.3 Possible effects on liquidity and gearing

Based on the information currently available, the current assumptions on how the JV Company would be funded and the expected "equity method" on accounting of the investment in the JV Company, total borrowings, total assets and total gearing of the Group (defined as total interest-bearing loans and shareholder's loans divided by total assets) are expected to remain relatively unchanged, as among other items, indebtedness expected to be incurred by the JV Company as set out above will not be consolidated into the accounts of the Group. It is expected that the difference between the estimated total investment amount and the registered capital, if required, will be financed by way of bank loans or borrowings from other financial institutions by the JV Company with or without guarantee from the JV Parties. Consequently, other financial impact(s) to the Group would be dependent on the nature and extent of the guarantee to be borne by the Group, details of which are not yet ascertainable.

RECOMMENDATION

Having considered the principal factors and reasons set out above, we consider that the terms and conditions of the Cooperation Agreement, the JV Principle Agreement and the respective transactions contemplated thereunder are on normal commercial terms, are fair and reasonable so far as the Company and the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. We therefore advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution approving the Cooperation Agreement, the JV Principle Agreement and the respective transactions contemplated thereunder at the EGM.

Yours faithfully,
for and on behalf of
Centurion Corporate Finance Limited
Baldwin LEE
Managing Director

1. FINANCIAL INFORMATION OF THE GROUP INCORPORATED BY REFERENCE

The financial information of the Group for the three years ended 31st December, 2008, 2009 and 2010 and the six months ended 30th June, 2011, including the notes thereto, have been published in “Accountants’ Report of the Company” set out in Appendix I to the Prospectus, which are incorporated by reference into this circular. The Prospectus is available on the Company’s website at www.alliedcement.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31st January, 2012, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$132.0 million comprising secured bank loans of approximately HK\$85.7 million, unsecured bank loans of approximately HK\$37.0 million and unsecured borrowings of approximately HK\$9.3 million from non-controlling interests. The secured bank loans were secured by charges over the Group’s property, plant and equipment with carrying value of HK\$182.0 million, prepaid lease payments on land use rights with carrying value of HK\$6.8 million together with pledged bank deposits with carrying value of HK\$51.9 million.

In addition, there were contingent liabilities arising from litigation regarding proceedings relating to a former limestone excavation services provider of the Group. The construction and material supply costs and compensation claimed by the former services provider amounted to approximately HK\$8.6 million, out of which a total of approximately HK\$4.5 million were recognised as trade and other payables as at 31st January, 2012 in relation to the claim. Further particulars are set out in the section headed “Litigations” in Appendix III to this circular.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any outstanding debt securities, mortgages, charges, debenture or other loan capital or bank overdrafts, loans or other similar indebtedness or hire purchase commitments, liabilities under acceptances or acceptances credits or any guarantees or other material contingent liabilities at the close of business on 31st January, 2012.

3. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, in the absence of unforeseeable circumstances, after taking into account the capital requirement of the Transaction and the Group’s internal resources, cash flow from operations, advance from non-controlling interests and the available banking facilities, the Group will have sufficient working capital for its present requirements and for the next twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30th June, 2011, being the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS

The Group will continue to focus on the manufacture and sale of cement and clinker, trading of cement and provision of technical services in the PRC. In view of the continuously growing demand for cement in the PRC, the Group is optimistic about the growth prospects of cement manufacturing and trading in the PRC. The Bailonggang Project presents a unique business opportunity for the Group to re-build the cement production facilities in Shanghai since the Premises Vacation.

As mentioned under the section headed “REASONS FOR THE FORMATION OF THE JV COMPANY” in the Letter from the Board, the Directors believe that the formation of the JV Company with Shanghai Building Material allows the Group to reduce its own construction cost and management cost by sharing with Shanghai Building Material and to ride on the synergies of two companies in terms of scale, production structure, market shares and logistics management, which is expected to provide positive contributions to the operation of the Group in the long run.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

The following are management discussion and analysis of the Group for the three years ended 31st December, 2008, 2009 and 2010 and the six months ended 30th June, 2011. The financial data and information contained in this section are mainly based on the information contained in the Prospectus.

1. BUSINESS REVIEW

The Company is an investment holding company. The Group is engaged principally in the manufacture and sale of cement and clinker, trading of cement and provision of technical services with operations in Shandong province and Shanghai in the PRC.

For the three years ended 31st December, 2008, 2009 and 2010 and the six months ended 30th June, 2011, the revenue of the Group was approximately HK\$555.9 million, HK\$490.1 million, HK\$451.4 million and HK\$391.7 million respectively and the profit attributable to owners of the Company was approximately HK\$45.2 million, HK\$6.7 million, HK\$168.3 million and HK\$47.8 million respectively.

2. FINANCIAL REVIEW**Liquidity, Financial Resources and Capital Structure**

The Group's capital expenditure, daily operations and investments were mainly funded by cash generated from its operations and loans from principal bankers and other financial institutions and shareholders. As at 31st December, 2008, 2009 and 2010 and 30th June, 2011, the Group maintained bank balance and cash reserves of approximately HK\$72.8 million, HK\$506.0 million, HK\$597.9 million and HK\$411.3 million including pledged short-term bank deposits and time deposits of HK\$13.6 million, nil, HK\$328.2 million and HK\$341.2 million respectively.

The Group had total borrowings amounted to approximately HK\$540.3 million, HK\$391.6 million, HK\$466.0 million and HK\$500.2 million and total assets amounted to approximately HK\$960.4 million, HK\$1,348.6 million, HK\$1,426.5 million and HK\$1,630.1 million as at 31st December, 2008, 2009 and 2010 and 30th June, 2011 respectively.

The following sets out the total borrowings of the Group:

	As at 31st December,			As at
	2008	2009	2010	30th June,
	HK\$'000	HK\$'000	HK\$'000	2011
				HK\$'000
Bank loans				
Within one year	195,785	27,357	17,647	49,757
More than one year but not exceeding two years	–	9,500	56,082	77,801
More than two years but not exceeding five years	–	50,082	29,500	–
	<u>195,785</u>	<u>86,939</u>	<u>103,229</u>	<u>127,558</u>
Other loans				
Within one year	7,273	–	–	–
More than two years but not exceeding five years	10,341	–	–	–
	<u>17,614</u>	<u>–</u>	<u>–</u>	<u>–</u>
Amount due to immediate holding company				
On demand	–	284,739	342,135	353,521
Amount due to former immediate holding company				
On demand	289,630	–	–	–
Amount due to ultimate holding company				
On demand	14,641	1,807	1,807	1,807
Amounts due to former fellow subsidiaries				
On demand	15,003	–	–	–
Amount due to a fellow subsidiary				
On demand	–	13,284	13,753	14,084
Amounts due to non-controlling interests				
On demand	4,876	4,345	5,113	3,234
More than 5 years	450	475	–	–
	<u>5,326</u>	<u>4,820</u>	<u>5,113</u>	<u>3,234</u>
Amount due to a former related company				
On demand	2,283	–	–	–
Total	<u>540,282</u>	<u>391,589</u>	<u>466,037</u>	<u>500,204</u>

The following set out borrowings of the Group at fixed interest rates and variable interest rates:

	As at 31st December,			As at
	2008	2009	2010	30th June,
	HK\$'000	HK\$'000	HK\$'000	2011
Fixed-rate borrowings	113,422	24,899	3,647	4,217
Variable-rate borrowings	<u>99,977</u>	<u>62,040</u>	<u>99,582</u>	<u>123,341</u>
	<u>213,399</u>	<u>86,939</u>	<u>103,229</u>	<u>127,558</u>

The gearing ratio of the Group, which was calculated by dividing the total interest-bearing loans and shareholder's loans with the total assets, as at 31st December, 2008, 2009 and 2010 and 30th June, 2011 was 0.56, 0.29, 0.33 and 0.31 respectively.

As at 31st December, 2008, 2009 and 2010 and 30th June, 2011, the equity attributable to owners of the Company amounted to HK\$116.8 million, HK\$123.6 million, HK\$250.0 million and HK\$304.8 million.

Bank and other loans of HK\$71.0 million, HK\$62.0 million, HK\$99.6 million and HK\$93.3 million were denominated in HK\$ at 31st December, 2008, 2009 and 2010 and 30th June, 2011. The remaining balance of the bank borrowings were denominated in RMB.

Other than the abovementioned facilities, the Group had no other committed borrowing facilities. The Group has not used any derivative contracts to hedge the principal and interest rate of the Group's borrowings.

Segmental analysis

For management purpose, the Group operates in one business unit based on their products and service, and has one operating segment: manufacture and sales of cement and clinker, trading of cement and provision of technical service. 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 included all assets and liabilities respectively, and considers the segment revenue and segment results of the Group represented all revenue and profit respectively.

Risk of Foreign Exchange Fluctuation

The Group collects most of its revenue in RMB and incurs most of the expenditures as well as capital expenditures in RMB. The Directors considered that the Group's exposure to foreign currency exchange risk is insignificant as the majority of the Group's transactions are denominated in the functional currency of the respective group entities.

As at 31st December, 2008, 2009 and 2010 and 30th June, 2011, the Group had bank balances, amounts due from and due to related parties and borrowings denominated in HK\$ which is the currency other than the functional currency of the respective group entities. The Group currently does not have a foreign currency hedging policy. Notwithstanding, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Pledge on Assets

As at 31st December, 2008, trade receivable of HK\$3.4 million, carrying amount of buildings and structures of approximately HK\$81.0 million and carrying amount of land use rights of approximately HK\$16.9 million were pledged to secure bank loans of HK\$98.3 million. Bank deposits approximately HK\$13.6 million were pledged to banks as collateral to secure short-term banking facilities in respect of bills payables to suppliers.

The Group had no assets under pledge as at 31st December, 2009.

As at 31st December, 2010, the Group pledged its plant and machinery and construction in progress with aggregate carrying amount of HK\$231.2 million and bank deposits of HK\$45.9 million to secure for a bank loan of HK\$40.0 million and short-term bank facilities in respect of the issuance of bills payable to suppliers.

As at 30th June, 2011, the Group pledged its buildings and structures and plant and machinery with aggregate carrying amount of HK\$247.2 million and bank deposits of HK\$124.1 million to secure bank loan of HK\$38.5 million and short-term bank facilities in respect of the issuance of bills payable to suppliers.

Material Investments and Capital Expenditure

The major capital expenditures for the Group were attributable to the construction of buildings, installation of plant and machinery, and purchase of motor vehicles for its operations. The capital expenditures amounted to approximately HK\$17.2 million, HK\$22.9 million, HK\$125.7 million and HK\$21.1 million for the years ended 31st December, 2008, 2009 and 2010 and for the six months ended 30th June, 2011, respectively. The Group has historically funded its capital expenditures through cash generated from its operations, bank borrowings and advances from holding companies and fellow subsidiaries.

As at 31st December, 2011, the Group had capital commitment in relation to the acquisition of a premise in the PRC of approximately HK\$29.1 million. As at the Latest Practicable Date, a deposit amounting to HK\$14.6 million was paid. The capital expenditure was planned to be funded by internal resources of the Group.

Save for the investment in the Bailonggang Project and aforesaid, as at the Latest Practicable Date, the Group did not have other current plans for material investments or capital assets.

Material Acquisitions and Disposals

The Group did not engage in material acquisitions and disposals of subsidiaries and associated companies for the three years ended 31st December, 2010 and the six months period ended 30th June, 2011.

Contingent liability

SAC Holdings, an indirect wholly-owned subsidiary of the Company and ChinaVision Media Group Limited (“ChinaVision Media”, previously known as Shanghai Allied Cement Limited and Interform Ceramics Technologies Limited respectively, the former holding company of SAC Holdings) have given joint guarantees to a financial institution to secure loan facilities granted to ChinaVision Media. SAC Holdings did not receive any fee from ChinaVision Media for such guarantees provided. The aggregate amounts that could be required to be paid if the guarantee was called upon in entirety amounted to HK\$262.5 million at 31st December, 2008. The loans were settled in 2009 and the joint guarantee was subsequently released by the lender.

A former constructor and material supplier of the Group has initiated legal proceeding in the PRC against subsidiaries of the Company during the year ended 31st December, 2009 in relation to dispute over the outstanding construction and material supply costs plus compensation. The sum claimed by the former constructor and material supplier amounted to approximately HK\$8.4 million. A total of approximately HK\$4.3 million, HK\$4.3 million and HK\$4.4 million were recognised as trade and other payables as at 31st December, 2009 and 2010 and 30th June, 2011 respectively in relation to the claim. The judgment of Zaozhuang City Intermediate People’s Court (棗莊市中級人民法院) had been held in favour of the former constructor and material supplier. The Group appealed in the Shandong Province High People’s Court (山東省高級人民法院) which have turned down the judgment of Zaozhuang City Intermediate People’s Court and have remitted the case for re-trial. As at 31st December, 2009 and 2010 and 30th June, 2011, the case was still under trial by the court in the PRC. Part of the re-trial has been completed and the remaining part of the re-trial has been scheduled to be conducted on 16th March, 2012. The delivery of the re-trial judgment is subject to the progress of the re-trial and further directions to be given by Zaozhuang City Intermediate People’s Court. Upon assessing the claim and obtaining the legal advice, the Group considers that the final outcome of the claim will not have material effect on the financial position of the Group.

Employees and Remuneration Policies

The Company recognises the importance of maintaining good relationships with its employees. The remuneration package for employees includes salaries, allowances and performance bonus under the sales incentive schemes.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' INTERESTS

As at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, the following Directors were directors of companies which had an interest in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO:

- (a) Mr. Ng Qing Hai is a non-executive director of Tian An, which is interested in 75% of the entire issue share capital of the Company through Autobest Holdings. Therefore, Tian An is deemed to be interested in the 495,000,000 Shares which Autobest Holdings is interested for the purpose of the SFO; and
- (b) Mr. Li Chi Kong is an executive director of Allied Properties (H.K.) Limited ("APL"), which is interested in approximately 46.85% of the entire issued share capital of Tian An through its direct and indirect wholly-owned subsidiaries, namely Fine Class Holdings Limited and China Elite Holdings Limited. Therefore, APL is also deemed to be interested in the 495,000,000 Shares which Tian An is interested for the purpose of the SFO, representing 75% shareholding interest in the Company.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other Director who was a director or employee of a company which had an interest in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, Mr. Ng Qing Hai was a director of ChinaVision Media Group Limited which, together with its subsidiaries, were partly engaged in the business of distribution of cement. Save as disclosed above, as at the Latest Practicable Date, none of the Directors (not being the Independent Non-Executive Directors) or their respective associates (as defined in the Listing Rules) was considered to have interests in any competing businesses of the Group pursuant to the Listing Rules.

Although Mr. Ng Qing Hai has a competing interest in another company by virtue of his common directorship, he will fulfil his fiduciary duties in order to ensure that he will act in the best interests of the Shareholders and the Company as a whole at all times. Hence, the Group is capable of carrying on its business independently of, and at arm's length from, the businesses of such company.

5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 30th June, 2011 (being the date to which the latest published audited financial statements of the Group were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

6. DIRECTORS' INTEREST IN THE TRANSACTION

As at the Latest Practicable Date, none of the Directors had any material interest in the Cooperation Agreement and JV Principle Agreement, or neither were they required to abstain from voting on the resolutions passed by the Board to approve the entering into of the Cooperation Agreement and JV Principle Agreement.

7. LITIGATIONS

As at the Latest Practicable Date, there were two legal proceedings commenced against the Group with details as follows:

- (a) a former employee initiated legal proceedings against Allied Wangchao, a wholly-owned subsidiary of the Company, claiming personal injuries damages in the total sum of RMB1,128,057 at Taierzhuang District People's Court (台兒莊區人民法院) in connection with an accident in the plant operated by Allied Wangchao on 31st August, 2005. Judgment of the first trial was made against Allied Wangchao, ordering Allied Wangchao to pay RMB1,115,388.6 to this employee. On 12th October, 2010, Allied Wangchao appealed to the Zaozhuang City Intermediate People's Court (棗莊市中級人民法院) which set aside Taierzhuang District People's Court's judgment on 20th December, 2010 and remitted the case for re-trial. The re-trial has been conducted. The re-trial judgment has been delivered on 18th January, 2012 by Taierzhuang District People's Court, ordering Allied Wangchao to pay compensation for the loss and damages of the former employee in the amount of RMB880,000, the first payment of which shall be made on or before 22nd January, 2012, and the second and the third payment of which shall be made on or before 29th February, 2012 and 31st March, 2012 respectively; and
- (b) a former limestone excavation services provider (the "Former Contractor") initiated legal proceedings against Allied Wangchao and Shandong SAC, both wholly-owned subsidiaries of the Company, in November 2009 at Zaozhuang City Intermediate People's Court for the failure of Allied Wangchao to settle services fees in respect of infrastructure at Langshan, Taierzhuang (台兒莊狼山礦區) and supply of limestone excavated from Langshan quarry in accordance with the contract entered into between Allied Wangchao and the Former Contractor on 6th September, 2004. Under this legal proceeding, the Former Contractor claimed for outstanding services fee for infrastructure of approximately RMB2.7 million and for excavation and supply of minerals of approximately RMB4.3 million, totaling approximately RMB7 million. In addition, the Former Contractor further claimed for damages of RMB1.4 million for alleged breach of contract. Allied Wangchao and Shandong SAC counterclaimed against the Former Contractor for the damages of approximately RMB2.8 million as compensation for the monetary losses caused by the Former Contractor's failure to provide Allied Wangchao the relevant invoices for claiming value added tax refund in the same year. On 5th July, 2010, the Zaozhuang City Intermediate People's Court handed down a judgment in favour of the Former Contractor concluding that Allied Wangchao and Shandong SAC shall pay the Former Contractor a total sum of approximately RMB8.4 million. The Group appealed to a higher court and on 10th December, 2010, the Shandong Province High People's Court (山東省高級人民法院) set aside the judgment of the Zaozhuang City Intermediate People's Court and remitted the case for re-trial. Part of the re-trial has been completed and the remaining part of the re-trial has been scheduled to be conducted on 16th March, 2012. The delivery of the re-trial judgment is subject to the progress of the re-trial and further directions to be given by Zaozhuang City Intermediate People's Court.

Save as disclosed above, as at the Latest Practicable Date, neither the Company nor any other member of the Group was engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation, arbitration or claim of material importance is pending or threatened against any member of the Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group within two years immediately preceding the Latest Practicable Date and which are, or may be, material to the Group:

- (a) an agreement dated 20th December, 2010 entered into between Shanghai SAC and Allied Wangchao in relation to the sale of equipment, stock accessories and materials from Shanghai SAC to Allied Wangchao due to relocation of Shanghai SAC's plant at considerations of RMB5,164,300, RMB1,735,059.26 and RMB200,000 respectively, totaling RMB7,099,359.26;
- (b) a sale and purchase agreement dated 31st December, 2010 between SAC Investments and Splendid Link for the transfer of one share in SAC Intellectual from SAC Investments to Splendid Link at the consideration of US\$1;
- (c) an assignment of loan by way of deed dated 31st December, 2010 between SAC Investments and Splendid Link in relation to the assignment of a loan in the amount of HK\$2,192.2 owing from SAC Intellectual to SAC Investments at the consideration of HK\$2,192.2;
- (d) a sale and purchase agreement dated 31st December, 2010 between Sunwealth Holdings and Splendid Link for the transfer of 10,000,000 shares in SAC Holdings from Sunwealth Holdings to Splendid Link at the consideration of HK\$50,027,000;
- (e) a deed of reorganisation dated 20th December, 2011 entered into between the Company, Sunwealth Holdings and Tian An, pursuant to which Sunwealth Holdings agreed to sell the one share in Splendid Link and the shareholder's loan in the total amount of HK\$227,305,017.43 owed by Splendid Link and its subsidiary, namely SAC Holdings, to the Company in consideration of the Company's allotting and issuing 494,999,999 Shares of HK\$0.01 each credited as fully paid at an issue price of HK\$1.00 per Share to Sunwealth Holdings or as it may direct (the "Deed of Reorganisation");
- (f) pursuant to terms and conditions of the Deed of Reorganisation, a deed of loan assignment dated 20th December, 2011 entered into between the Company, Sunwealth Holdings, Splendid Link and SAC Holdings in relation to the assignment of a loan in the amount of HK\$227,305,017.43 due from Splendid Link and SAC Holdings to Sunwealth Holdings;

- (g) a deed of non-competition dated 20th December, 2011 entered into between the Company and Tian An;
- (h) a deed of indemnity dated 20th December, 2011 given by Autobest Holdings and Tian An in favour of the Company;
- (i) the underwriting agreement dated 29th December, 2011 entered into, among others, the Company, the Executive Directors, Autobest Holdings, Tian An and the underwriter with respect to the share offer of the Company, as referred in the Prospectus;
- (j) the Cooperation Agreement; and
- (k) the JV Principle Agreement.

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinion or advice which are contained in this circular:

Name	Qualification
Centurion Corporate Finance Limited	Licensed corporation to carry out types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities as defined under the SFO
Zhong Lun W&D Law Firm	Legal adviser to the Company as to the PRC laws

The letters, reports and/or opinions from each of the above experts are given as of the date of this circular for incorporation in this circular. Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letters, reports and/or opinions, as the case may be, and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, Centurion Corporate Finance Limited and Zhong Lun W&D Law Firm:

- (a) did not have any direct or indirect interest in any assets which have since 30th June, 2011 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. GENERAL

- (a) The registered office of the Company is situated at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The head office and principal place of business of the Company in Hong Kong is at 22nd Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong.
- (b) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (c) The company secretary of the Company is Ms. Wong Ka Hang, who is an associate of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.
- (d) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Messrs. P. C. Woo & Co. at 12th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of the EGM:

- (a) the amended and restated memorandum and articles of association of the Company;
- (b) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;
- (c) the letter of recommendation dated 16th March, 2012 from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 20 and 21 of this circular;
- (d) the letter of advice from Centurion Corporate Finance Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 22 to 39 of this circular;
- (e) the consent letters from Centurion Corporate Finance Limited and Zhong Lun W&D Law Firm referred to in the paragraph headed "Experts and Consents" in this appendix;
- (f) the Prospectus; and
- (g) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “Meeting”) of Allied Cement Holdings Limited (the “Company”) will be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Monday, 2nd April, 2012 at 10:00 a.m., for the purpose of considering and, if thought fit, passing with or without modification, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the 《關於建設「白龍港項目」合作協議》(Bailonggang Project Construction Cooperation Agreement*) (the “Cooperation Agreement”) dated 13th February, 2012 entered into between Shanghai Allied Cement Co., Ltd. (上海聯合水泥有限公司) (“Shanghai SAC”), an indirect non wholly-owned subsidiary of the Company, and 上海建築材料 (集團) 總公司 (Shanghai Building Material (Group) General Company*) (“Shanghai Building Material”) in relation to the establishment of a joint venture company (the “JV Company”) in the People’s Republic of China (the “PRC”) for the development of new cement production facilities at Bailonggang, Pudong, Shanghai, the PRC (the “Bailonggang Project”), a copy of which marked “A” and signed by the Chairman of the Meeting for identification purpose has been tabled at the Meeting, and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) the 《關於設立合資公司 (原則) 協議》(Principle Agreement for the Establishment of the JV Company*) (the “JV Principle Agreement”) dated 13th February, 2012 entered into between Shanghai SAC and Shanghai Building Material in relation to the principle and principal terms of the JV Company to be established in the PRC, a copy of which marked “B” and signed by the Chairman of the Meeting for identification purpose has been tabled at the Meeting, and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) any director of the Company be and is hereby authorised for and on behalf of the Company, amongst other matters, to sign, execute, perfect, deliver or to authorise signing, executing, perfecting and delivering all such documents and deeds, and to do or authorise doing all such acts, matters and things as he/she may in his/her discretion consider necessary, expedient or desirable to give effect to and implement the terms of the Cooperation Agreement and the JV Principle Agreement and to make and agree such variations of a minor or non-material nature in or to the terms of the Cooperation Agreement and the JV Principle Agreement (including but not limited to the signing of the formal joint venture contract and the articles of association of the JV Company or in respect of the Bailonggang Project) as he/she may in his/her discretion consider to be desirable and in the interests of the Company.”

By Order of the Board
Allied Cement Holdings Limited
Wong Ka Hang
Company Secretary

Hong Kong, 16th March, 2012

Registered Office:

Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

*Head office and principal place of
business in Hong Kong:*

22nd Floor
Allied Kajima Building
138 Gloucester Road
Wanchai
Hong Kong

* *for identification purpose only*

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. A member of the Company entitled to attend and vote at the Meeting will be entitled to appoint one or more proxies to attend and, on a poll, vote in his or her stead. A proxy need not be a member of the Company.
2. A form of proxy in respect of the Meeting is enclosed. Whether or not you intend to attend the Meeting in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon. Completion and return of the form of proxy will not preclude you from attending the Meeting and voting in person if you so wish. In the event that you attend the Meeting after having lodged the form of proxy, it will be deemed to have been revoked.
3. To be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited at the Company's branch share registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not less than 48 hours before the time fixed for the Meeting or any adjournment thereof.
4. Where there are joint holders of any shares of the Company, any one of such joint holders may vote at the Meeting, either personally or by proxy in respect of such shares as if he or she was solely entitled thereto, but if more than one of such joint holders are present at the Meeting personally or by proxy, that one of such joint holders so present whose name stands first on the register of members of the Company shall alone be entitled to vote in respect of such shares.