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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1312)

ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR ENDED 2012

The board of directors ("Board") of Allied Cement Holdings Limited ("Company") announces that the audited consolidated results of the Company and its subsidiaries ("Group") for the year ended 31st December, 2012 are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31st December, 2012

	Notes	**2012** **HK$'000**	2011 *HK$'000*
Revenue	*(3)*	**704,698**	725,298
Cost of sales		**(645,867)**	(613,453)
Gross profit		**58,831**	111,845
Other income	*(4)*	**31,083**	16,342
Net foreign exchange gain		**645**	19,192
Fair value gains on financial assets designated as at fair value through profit or loss		**13,067**	12,429
Interest income on other structured deposits		**10,404**	3,943
Reversal of overprovision on land resumption exercise		**3,128**	5,766
Distribution and selling expenses		**(3,856)**	(4,183)
Administrative expenses		**(38,561)**	(35,577)
Other expenses		**–**	(12,189)
(Allowance for) reversal of bad and doubtful debts		**(23,964)**	5,131
Finance costs		**(4,261)**	(4,889)
Profit before taxation		**46,516**	117,810
Taxation	*(5)*	**(9,384)**	(29,321)
Profit for the year	*(6)*	**37,132**	88,489
Other comprehensive income			
Exchange difference arising on translation to presentation currency		**(845)**	37,202
Total comprehensive income for the year		**36,287**	125,691

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Cont'd)*
For the year ended 31st December, 2012

	Notes	2012 HK$'000	2011 HK$'000
Profit for the year attributable to:			
Owners of the Company		**26,834**	76,158
Non-controlling interests		**10,298**	12,331
		37,132	88,489
Total comprehensive income for the year attributable to:			
Owners of the Company		**26,437**	93,409
Non-controlling interests		**9,850**	32,282
		36,287	125,691
		HK cents	*HK cents*
Earnings per share	*(7)*		
Basic		**4.11**	21.31

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment		**414,696**	377,794
Deposits for equipment and machineries		**84,284**	–
Prepaid lease payments on land use rights		**7,486**	7,679
Mining right		**7,692**	7,879
Loans receivable		**33,068**	–
		547,226	393,352
Current assets			
Properties held for sale		**2,387**	2,387
Inventories		**68,530**	55,317
Trade and bills receivables	*(9)*	**247,299**	269,639
Other receivables, deposits and prepayments		**49,353**	40,410
Financial assets designated as at fair value through profit or loss		**308,956**	351,167
Other structured deposits		**216,613**	189,225
Prepaid lease payments on land use rights		**193**	193
Pledged short-term bank deposits		**79,398**	43,210
Time deposits		**61,729**	142,253
Bank balances and cash		**30,162**	100,596
		1,064,620	1,194,397
Current liabilities			
Trade and bills payables	*(10)*	**138,470**	79,275
Other payables and deposits received		**31,379**	60,693
Amount due to a fellow subsidiary		**–**	134,322
Amount due to ultimate holding company		**–**	1,807
Amounts due to other related parties		**1,870**	9,288
Tax liabilities		**147,198**	150,562
Bank borrowings due within one year		**59,878**	93,119
		378,795	529,066
Net current assets		**685,825**	665,331
Total assets less current liabilities		**1,233,051**	1,058,683

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Cont'd)*
At 31st December, 2012

	2012	2011
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**6,600**	4,950
Share premium and reserves	**735,033**	565,807
Equity attributable to owners of the Company	**741,633**	570,757
Non-controlling interests	**419,431**	423,262
Total equity	**1,161,064**	994,019
Non-current liabilities		
Bank borrowings due after one year	**42,118**	29,500
Deferred taxation	**29,869**	35,164
	71,987	64,664
	1,233,051	1,058,683

Notes:

(1) Basis of preparation

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

(2) Significant accounting policies

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA.

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets

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

Amendments to HKFRS 7 "Disclosures – Transfers of Financial Assets"

The Group has applied for the first time the amendments to HKFRS 7 "Disclosures – Transfers of Financial Assets" in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

The Group has arrangements with various banks to transfer to the banks its contractual rights to receive cash flows from certain bills receivables. The arrangements are made through discounting those receivables to banks on a full recourse basis. Specifically, if the bills receivables are not paid at maturity, the banks have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these bills receivables, it continues to recognise the full carrying amount of the receivables and has recognised the unsettled balance as secured bank borrowings. The relevant disclosures have been made regarding the transfer of these bills receivables on application of the amendments to HKFRS 7. In accordance with the transitional provisions set out in the amendments to HKFRS 7, the Group has not provided comparative information for the disclosures required by the amendments.

New and revised standards and interpretations issued but not effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (Revised in 2011)	Employee Benefits[1]
HKAS 27 (Revised in 2011)	Separate Financial Statements[1]
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] Effective for annual periods beginning on or after 1st January, 2013.
[2] Effective for annual periods beginning on or after 1st January, 2014.
[3] Effective for annual periods beginning on or after 1st January, 2015.
[4] Effective for annual periods beginning on or after 1st July, 2012.

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The Directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the financial year ending 31st December, 2015 and that the application of the new standard may have impact on amounts reported in respect of the Group's financial assets.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (Revised in 2011) and HKAS 28 (Revised in 2011).

Key requirements of HKFRS 10 and HKFRS 12 are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC) – Int 12 "Consolidation – Special Purpose Entities" will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1st January, 2013. The Directors anticipate that the application of these five standards will have no material impact on the amounts reported in the consolidated financial statements but may result in more extensive disclosures in the consolidated financial statements.

HKFRS 13 "Fair Value Measurement"

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial Instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1st January, 2013. The Directors anticipate that the application of the new standard will have no material impact on the amounts reported in the consolidated financial statements but may result in more extensive disclosures in the consolidated financial statements.

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

The amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 will be adopted in the Group's consolidated financial statements for the annual period beginning 1st January, 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied.

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

(3) Segment information

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

Information about major products

The revenue of the major products is analysed as follows:

	2012	2011
	HK$'000	*HK$'000*
Manufacture and sales and trading of:		
Cement	**677,359**	692,862
Clinker	**27,339**	32,436
	704,698	725,298

Information about major customers

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

Geographical information

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

(4) Other income

	2012 *HK$'000*	2011 *HK$'000*
Interest income from banks	**6,627**	9,756
Interest income from a fellow subsidiary	**–**	1,119
Interest income from loans receivable	**8,317**	2,273
Overprovision of listing expenses	**1,432**	–
Government subsidy – value added tax refunded	**7,302**	–
Government subsidy – others	**5,629**	–
Sundry income	**1,776**	3,194
	31,083	16,342

(5) Taxation

	2012 *HK$'000*	2011 *HK$'000*
The (charge) credit comprises:		
Current tax		
– PRC Enterprise Income Tax	**(18,326)**	(21,721)
– Hong Kong Profits Tax	**(19)**	–
	(18,345)	(21,721)
Over (under) provision in prior years		
– PRC Enterprise Income Tax	**3,666**	(2,235)
Deferred tax	**5,295**	(5,365)
	(9,384)	(29,321)

The PRC Enterprise Income Tax is calculated at the rates applicable to respective subsidiaries. In accordance with the tax legislations applicable to foreign investment enterprises, a subsidiary is entitled to exemption from the PRC Enterprise Income Tax for the two years commencing from the first profit-making year of operation in 2007 and thereafter, entitled to a 50% relief from the PRC Enterprise Income Tax for the following three years. The subsidiary can continue to entitle such tax concession according to the Law of the PRC on Enterprise Income Tax promulgated on 16th March, 2007 and the charge of PRC Enterprise Income Tax for the year ended 31st December, 2011 has been provided for after taking these tax incentives into account. The applicable tax rate for that subsidiary for the year ended 31st December, 2012 and for other subsidiaries established in PRC for the years ended 31st December, 2012 and 2011 is 25%. The PRC Enterprise Income Tax for a subsidiary incorporated in Hong Kong is calculated at the withholding tax rate prevailing in the PRC on the interest income from lendings to a PRC subsidiary.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years. In the prior year, no provision for Hong Kong Profits Tax had been made as the Group had no assessable profits arising in Hong Kong.

(6) Profit for the year

	2012	2011
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Amortisation of mining right (included in administrative expenses)	**187**	183
Depreciation of property, plant and equipment	**20,418**	19,083
Total amortisation and depreciation	**20,605**	19,266
Cost of inventories recognised as an expense	**645,867**	613,453
Release of prepaid lease payments on land use rights	**193**	188
Loss on disposal and write-off of property, plant and equipment	**28**	474
Operating lease rentals in respect of premises	**381**	157

(7) Earnings per share

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

	2012	2011
	HK$'000	*HK$'000*
Earnings:		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**26,834**	76,158
	Shares	*Shares*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**652,336,066**	357,385,932

The calculations of basic earnings per share for the year ended 31st December, 2011 is based on the 352,707,833 ordinary shares issued on the assumption that the corporate reorganisation had been effective on 1st January, 2011 and the weighted average effect of 142,292,167 ordinary shares issued pursuant to the settlement of shareholders' loans completed on 20th December, 2011.

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

(8) Dividend

	2012	2011
	HK$'000	*HK$'000*
Dividend recognised as distributions during the year:		
Special dividend for 2011 paid of HK2 cents per share (2011: Nil)	**13,200**	–
Dividend proposed:		
Final dividend proposed – HK2 cents per share (2011: Nil)	**13,200**	–
Special dividend proposed – Nil (2011: HK2 cents per share)	**–**	13,200
	13,200	13,200

The final dividend of HK2 cents (2011: Nil) per share in respect of the financial year ended 31st December, 2012 has been proposed by the Board and is subject to approval by the shareholders of the Company ("Shareholders") at the forthcoming annual general meeting of the Company.

(9) Trade and bills receivables

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

	2012	2011
	HK$'000	*HK$'000*
0–90 days	**161,594**	176,728
91–180 days	**58,306**	72,310
181–365 days	**25,318**	20,601
Over 1 year	**2,081**	–
	247,299	269,639

(10) Trade and bills payables

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

	2012	2011
	HK$'000	*HK$'000*
0–90 days	**62,076**	61,886
91–180 days	**68,941**	12,636
181–365 days	**3,330**	1,157
Over 1 year	**4,123**	3,596
	138,470	79,275

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The revenue of the Group for the year ended 31st December, 2012 was HK$704.7 million (2011: HK$725.3 million), representing a decrease of 2.8% compared to the previous year. The profit attributable to owners of the Company was HK$26.8 million (2011: HK$76.2 million). The basic earnings per share amounted to HK4.11 cents (2011: HK21.31 cents).

The financial performance and profit of the Group for the year ended 31st December, 2012 showed a significant decrease as compared with 2011. Despite the increase in sales volume during the year, revenue decreased due to a decline in the average selling price. With the overall market selling prices of cement products having significantly declined in 2012 as compared with 2011, the average selling prices of cement products from the Group's manufacturing and sales operations in Shandong province were also significantly impacted.

Moreover, the provision for doubtful debts was increased as a result of the uncertainty in the recoverability of certain receivables relating to the Group's Shanghai operations. To address the risks on recoverability of receivables, the internal control procedures and management systems of the Group have been further reviewed and strengthened. The system of credit-worthiness analysis of customers has been reinforced, including but not limited to that an independent company has been engaged to investigate the credit-worthiness of the Group's customers.

For the year ended 31st December, 2012, the administrative expenses increased significantly when comparing to 2011. This was mainly attributable to the expenses incurred in complying with the relevant rules and regulations after the listing of the shares of the Company on the Stock Exchange on 18th January, 2012 ("Listing Date").

For the year ended 31st December, 2011, due to the appreciation of Renminbi ("RMB"), the Group recorded a net foreign exchange gain of HK$19.2 million. A gain of HK$37.2 million under other comprehensive income was also recorded when presenting the Group's results in Hong Kong dollar ("HK$"). The relatively small appreciation of RMB in 2012 has resulted in the Group recording a significant decrease in such income for the reporting period.

Business Review

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

The Group's cement and clinker sales amounted to 2,405,000 tons (2011: 2,017,000 tons) for the year ended 31st December, 2012, representing an increase by 19.2% over last year. The overall market demand of cement slowed down as the Chinese government temporarily suspended promoting the infrastructure projects as one of the austerity measures and the stringent regulatory control on real estate to cool down the irrational rise in housing prices.

In the first half of 2012, the growth of cement production in China was less than 6%. The cement industry appeared to struggle in demand amid the stagflation environment as well as the irrational competition triggered in some regions, leading to a significant decline in the margin of the industry. Basically, the industry suffered from the pain of excessive capacity.

In the second half of 2012, China CPI eased from the highs gradually. The mainland China government revised its strategy to give priority to stabilising growth and granted approvals to large projects as well as resuming the construction of high-speed rails, which facilitated the recovery of the economy. Consequently, the overall performances of cement companies improved as the demand of cement rebounded in the second half of 2012 with prices recovering gradually.

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

   In 2012, cement distributed by Shanghai SAC amounted to 1,001,000 tons (2011: 652,000 tons) with an increase of 53.5% from the previous year, generating a gross profit of HK$27.2 million (2011: HK$12.9 million), an increase of 110.9% over last year. During the year, Shanghai SAC continued to invest part of the net proceeds from the compensation of relocation into wealth management products managed by banks in accordance with the Group's treasury policies and investment guidelines. Through such treasury management, Shanghai SAC recorded fair value gains and interest income on financial assets of HK$28.7 million (2011: HK$18.1 million), representing an increase of 58.6% over last year.

   In order to potentially enjoy the benefit from the country's policy where income from compensation of relocation can be deducted before tax, Shanghai SAC aimed to minimise its tax burden within the parameters of the country's policy by filing to Shanghai tax authorities documents related to the following transactions: purchase of cement vertical mills, raw material extruders and waste heat power generation equipment and machines for a total consideration RMB380 million; together with prior purchase of an office located in Pudong, Shanghai and expenses related to relocation and reassignment of personnel. Such potential tax benefit is subject to approval from the relevant tax authorities.

2. *Shandong Allied Wangchao Cement Limited (" Allied Wangchao")*

   In 2012, Allied Wangchao achieved a production of clinker of 891,000 tons (2011: 882,000 tons), representing 1.0% increase from last year. Cement production reached 1,291,000 tons (2011: 1,138,000 tons), increasing by 13.4% over last year. The sales volume of cement increased from 1,146,000 tons to 1,291,000 tons, representing an increase of 12.7% over last year. This certainly reflected the market influence of Allied Wangchao in the northern Jiangsu and southern Shandong areas. Gross profit of Allied Wangchao amounted to HK$33.4 million (2011: HK$96.8 million), representing a decrease of 65.5% from last year.

   Allied Wangchao enhanced the operations of its internal management in the following aspects in an attempt to leverage its improved efficiency and reduced consumption to mitigate the negative impact that declining cement prices brought on its economic performance:

   A. established several technical improvement teams to analyse, study, provide and implement the various solutions to tackle important and difficult issues, lowered the manufacturing cost of clinker per ton and PO 42.5 cement per ton by 3.1% and 5.8% respectively as compared to last year;

   B. implemented ongoing technical innovation to improve performance in order to survive in the fierce market competition; and

   C. promoted cost saving principles as the Group's corporate culture.

During the year, Allied Wangchao had been assessed and awarded certificates of comprehensive utilisation of resources, as well as granted a total subsidy of around RMB5.9 million by a government agency.

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

The slag production of Shandong SAC during the year reached 118,000 tons. Its products are mainly used as additives in cement grinding for Allied Wangchao.

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

On 13th February, 2012, Shanghai SAC, a subsidiary of the Company, entered into the《關於建設「白龍港項目」合作協議》(Bailonggang Project Construction Cooperation Agreement) ("Cooperation Agreement") and the《關於設立合資公司(原則)協議》(Principle Agreement for the Establishment of the joint venture company) ("JV Principle Agreement") with 上海建築材料(集團)總公司 (Shanghai Building Material (Group) General Company) ("Shanghai Building Material") for the purpose of setting up a joint venture company ("JV Company") to operate and manage the Bailonggang Project. Pursuant to the agreements, the JV Company will be held as to 50% respectively by Shanghai SAC and Shanghai Building Material. The former will nominate the general manager and the later will nominate the chairman of the board which will be appointed by the board. The registered capital of the JV Company is RMB800 million, in which Shanghai SAC and Shanghai Building Material will inject RMB400 million (equivalent to approximately HK$493.8 million) respectively.

The Bailonggang Project progressed smoothly and passed the preliminary approval on the use of land conducted by Shanghai Municipal Bureau of Planning and Land Resources on 16th August, 2012. On 6th February, 2013, Shanghai Municipal Development and Reform Commission submitted to National Development and Reform Commission a formal document related to "上海建材資源綜合利用示範基地" (Demonstrative Bases for Comprehensive Utilisation of Resources in Shanghai). The Industrial Development Office of National Development and Reform Commission also officially accepted the relevant document and relevant government officers were supportive to it. We believe that this project will be highly valued by the government departments as it sets an example of successful transformation of cement manufacturing in big cities. The JV Company was tentatively named "上海萬華聯合生態材料股份有限公司" (Shanghai Wanhua Allied Eco Materials Co., Ltd.).

Planning to eliminate ball mills and adopt advanced technologies such as two-support kilns, 4th generation coolers and low-temperature waste heat power generation, the Bailonggang Project will reduce power consumption to a level significantly below those of traditional cement manufacturers. Moreover, the project is situated next to the biggest sewage treatment plant in Asia. It is expected that 530,000 tons of sludge with 80% moisture content, 500,000 tons of desulfurisation gypsum and other wastes amounting to 2.28 million tons will be detoxified every year. This will become an important part of the city's industrial chain, interdependent and complementing to the city.

The project preparation team has achieved excellent performance since its establishment in February 2012. The Group selected and assigned key members to participate in the preparatory work of the project. The principal activities for the next stage are land storage and purchase, improving technical proposals for the project, establishing the project company and assessing the dock construction project. The Group will work towards commencing construction of the project in the second half of 2013.

Financial Review

Liquidity and Financing

On 18th January, 2012, 165,000,000 ordinary shares of the Company were issued by way of public offering and placing, raising gross proceeds of HK$165.0 million. On the same date, the Company's shares were listed on the Main Board of Stock Exchange.

Except for the proceeds received from the public offering and placing, the Group's capital expenditure, daily operations and investments are mainly funded by cash generated from its operations and loans from principal bankers and financial institutions. As at 31st December, 2012, the Group maintained bank balances and cash reserves of approximately HK$171.3 million (2011: HK$286.1 million), including pledged short-term bank deposits of approximately HK$79.4 million (2011: HK$43.2 million) and time deposits of approximately HK$61.7 million (2011: HK$142.3 million). Total borrowings amounted to approximately HK$102.0 million (2011: HK$256.9 million of which borrowings from a fellow subsidiary amounted to approximately HK$134.3 million). At 31st December, 2012, the equity attributable to owners of the Company amounted to HK$741.6 million (2011: HK$570.8 million).

The gearing ratio (net borrowings over equity attributable to owners of the Company) of the Group was negative 9% (2011: negative 5%).

As at 31st December, 2012, the Group's outstanding borrowings HK$59.9 million was repayable within one year and HK$42.1 million was repayable after one year (2011: HK$227.4 million and HK$29.5 million respectively). Around 3.9% of the Group's interest-bearing borrowings bore interest at fixed rates while the remainders were at floating rates.

Due to the branding strategy of the Group used in the industry, the management has obtained a longer credit period from suppliers by bills payments and resulting in a trade and bills payable of HK$138.5 million as at 31st December, 2012. This has increased the cashflow from operating activities and provided good liquidity for the Group.

Risk of Foreign Exchange Fluctuation

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

Pledge of Assets

At the end of the reporting period, certain of the Group's buildings and structures and plant and machinery with aggregate carrying amount of HK$92.1 million (2011: HK$290.9 million), prepaid lease payments on land use rights with carrying amount of HK$6.6 million (2011: Nil), certain bills receivables with carrying amount of HK$4.0 million (2011: Nil), certain other structured deposits with carrying value of HK$38.5 million (2011: Nil) together with short-term bank deposits of HK$79.4 million (2011: HK$43.2 million) were pledged to secure bank loans to the extent of HK$77.3 million (2011: HK$35.5 million) granted to the Group and short-term bank facilities in respect of the issuance of bills payable to suppliers amounting to HK$101.4 million (2011: HK$33.1 million).

Material Capital Commitments and Investments

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

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

Contingent Liabilities

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 a dispute over the outstanding construction and material supply costs plus compensation. The amount claimed by the former constructor and material supplier approximates HK$8.6 million. A total of approximately HK$4.5 million was recognised as trade and other payables as at 31st December, 2012 and 2011 respectively in relation to the claim. The judgment of Zaozhuang City Intermediate People's Court was held in favour of the former constructor and material supplier. The Group had appealed in the Shandong Province High People's Court which turned down the judgment of Zaozhuang City Intermediate People's Court and ordered retrial to the case. As at 31st December, 2012, the case was still under trial by the court in the PRC and subject to further directions to be given by Zaozhuang City Intermediate People's Court. The Group has assessed the claim and obtained legal advice, and considers that the final outcome of the claim will not have material effect on the financial position of the Group.

Corporate Social Responsibility

In terms of corporate social responsibility, the Group actively supports regional educational industries. In the past two years, Allied Wangchao has funded three primary schools in Shandong province. Positively encouraged by our support, the staffs, teachers and students have improved their quality of teaching and learning and the company was praised highly by the society for its philanthropy.

In terms of development of ecological civilisation, the Group has increased the greenery in the factories and created a workplace garden so that employees can work in a comfortable workplace. Allied Wangchao was granted a certificate of comprehensive utilisation of resources for its waste heat and exhaust gas power generation system. Allied Wangchao also contributed to the nation's ecological civilisation by achieving encouraging results in using iron mud, quartz mud, coal gangue and fly ash as substitutes to natural raw materials and replacing all natural gypsum with desulfurisation gypsum, and was issued another certificate of comprehensive utilisation of resources.

Moreover, the Group enhanced its training for employees to update their knowledge and concepts. During the year, Shanghai SAC held regular internal training sessions, covering lectures and seminars on recycling economy, new cement craftsmanship and optimisation of operational process, with an aim to improving competence and skills of its employees. Shandong SAC and Allied Wangchao have invited university academics to give training to over 160 employees on topics covering "Cement Manufacturing Techniques", "Cement Grinding Techniques and Equipment", "Cement Calcine Techniques and Equipment", "Operation of Cement Central Control Room" and "Cement Quality Control" and enhanced the professional skills of its executives and staffs.

A New Phase of Cement Industry Development in China

Total production of cement in China in 2012 amounted to 2.184 billion tons, representing an increase of 7.4% over last year[1], but also a decrease in growth rate as compared to last year. This demonstrated that the cement industry has experienced a period of consolidation as China GDP growth declined, and overcapacity obviously exists in the industry.

However, China is still in a post-industrialisation period featured by new pattern of urbanisation and intellectual urban construction, presenting strategic opportunities. China advocates even distribution of public services and has demonstrated that the pattern of its urbanisation has transformed from manufacturing-oriented to domestic consumption-oriented. The above new strategic development indicates the quality of economic development is given priority rather than its pace, rendering the development of the economy more sustainable.

Corporations should adapt to the new development trend by studying its core characteristics as well as strategic threats and opportunities it brings forth to seize opportunities and gain initiative. Besides reduction of redundant consumption and technology innovation, the cement industry should focus on ecological civilisation development. This has proved that the mission of "taking a second initiative in the recycling economy" proposed by the Group a decade ago as a forward-looking statement.

1. 中華人民共和國國家統計局•(18/1/2013)"2012年12月份規模以上工業生產運行情況", <http://www.stats.gov.cn/tjfx/jdfx/t20130118_402867152.htm> [15/3/2013]

Strategic Business Development

Since its establishment in 1993, the Group has been dedicated to realising the vision of taking the initiative in the recycling economy and keeping the enterprise with solid foundations and promising future.

The Group leveraged the special opportunity of relocation arisen from Shanghai Expo to develop the Bailonggang Project and realise its transformation in practice. After four years of preparation, the project will soon be achieved and the dream of management and staff of the Group should shortly become a reality. The society, our customers and shareholders are all looking forward to it. The project was filed to relevant ministries as a strategic emerging industry and a national "Double-hundred" demonstrative company, and was highly praised by officers of all levels. Joining hands with Shanghai Building Material, the Group will spend its best effort to shape it as a real second generation cement demonstrative base, making a new way for the transformation of the cement industry. Guided by the core value of the Group, we will make all due contributions to the society, customers, shareholders and staffs.

Outlook

As urbanisation is still a focus of the country's Twelfth Five-year Plan, it is expected that the demand of cement will increase steadily, which will provide certain strategic opportunities for the cement industry. However, oversupply of cement still persists for a period of time and the market is in fierce competition. We believe that cement companies adopting tactics such as enhancing technological innovation and tightening control of cost and expenses will be able to maintain reasonable profitability. Companies which aim for larger scale but ignore internal improvements will find it difficult to survive, and especially companies with high gearing ratios and weak management team may be likely to suffer losses. In its professional philosophy, the Group will continue in keeping down cost together with technological innovation.

To generate and preserve its long-term value, the Group will continue to position itself as a quality-focused clinker and cement company focusing on producing and selling high quality products to differentiate itself from its competitors and to lower its production cost. The Group continues to further strengthen its customer base, market position and sales and marketing capabilities so as to achieve continued growth in its revenue and net profit. Meanwhile, the Bailonggang Project provides the Group with a solid foundation to tap into an advance business model in cement industry which offers a significant opportunity for future growth.

The Group will dedicate its efforts towards improving its results and at the same time committing to its core values which emphasise accepting social responsibilities, satisfying the needs of clients, maximising shareholders' values and promoting employees' development.

Employees

As at 31st December, 2012, the Group employed 350 (2011: 377) persons. The Group maintains a policy of paying competitive remuneration packages and employees are also rewarded on performance related basis including salary and bonus.

DIVIDEND

The Board has recommended a final dividend of HK2 cents per share for the year ended 31st December, 2012 (2011: special dividend of HK2 cents per share) payable to the Shareholders whose names appear on the register of members of the Company on Thursday, 30th May, 2013.

CLOSURE OF REGISTER OF MEMBERS

(1) For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company ("2013 AGM")

The 2013 AGM is scheduled to be held on Thursday, 23rd May, 2013. For determining the entitlement to attend and vote at the 2013 AGM, the register of members of the Company will be closed on Wednesday, 22nd May, 2013 and Thursday, 23rd May, 2013, during which period no transfer of shares of the Company will be registered. In order for a Shareholder to be eligible to attend and vote at the 2013 AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 21st May, 2013.

(2) For determining the entitlement to the proposed final dividend

The proposed final dividend is subject to the approval by the Shareholders at the 2013 AGM. For determining the entitlement to the proposed final dividend for the year ended 31st December, 2012, the register of members of the Company will be closed on Wednesday, 29th May, 2013 and Thursday, 30th May, 2013, during which period no transfer of shares of the Company will be registered. In order for a Shareholder to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 28th May, 2013. Subject to approval by the Shareholders at the 2013 AGM, dividend warrants are expected to be despatched to the Shareholders by post on or around Thursday, 13th June, 2013.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

During the period from the Listing Date to 31st December, 2012, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report ("CG Code") (previously known as Code on Corporate Governance Practices ("Former CG Code")) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange, except for certain deviations which are summarised below:

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

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

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

As stated in the Company's Annual Report for the financial year ended 31st December, 2011 and Interim Report for the six months ended 30th June, 2012, to comply with code provisions A.2.1 to A.2.9 and E.1.2 of the CG Code, the Company was identifying an appropriate candidate for the position of the Chairman of the Board. The identification process is still continuing as the Company considers that this position is very important and wishes to exercise due care before making a decision. Accordingly, the Company is still identifying a suitable and appropriate candidate for appointment as Chairman, and will elect a Chairman as soon as practicable.

(2) Code Provisions B.1.2 (then B.1.3 of the Former CG Code) and C.3.3

Code provisions B.1.3 and C.3.3 of the Former CG Code stipulate that the terms of reference of the remuneration committee and audit committee should include, as a minimum, those specific duties as set out in the respective code provisions.

The terms of reference of the remuneration committee ("Remuneration Committee") adopted by the Company are in compliance with the code provision B.1.3 of the Former CG Code except that the Remuneration Committee shall review (as opposed to determine under the code provision) and make recommendations to the Board on the remuneration packages of the Executive Directors only and not senior management (as opposed to executive directors and senior management under the code provision). Certain amendments have been made to the Former CG Code with effect from 1st April, 2012 ("CG Amendments"), including code provision B.1.2 of the CG Code (then B.1.3 of the Former CG Code), which now accommodates a model where the remuneration committee performs an advisory role as to the remuneration packages of the executive directors and senior management. Accordingly, the revised terms of reference of the Remuneration Committee adopted to align with the CG Code are in compliance with the code provision B.1.2 except that the Remuneration Committee shall make recommendations to the Board on the remuneration packages of the Executive Directors only and not senior management (as opposed to executive directors and senior management under the new code provision B.1.2).

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

The reasons for the above deviations are set out in the Corporate Governance Report to be contained in the Company's Annual Report for the financial year ended 31st December, 2012 ("2012 Annual Report"). The Board considers that the Remuneration Committee and the Audit Committee should continue to operate according to the relevant terms of reference as adopted by the Company. The Board will review the terms at least annually and make appropriate changes if considered necessary.

Further information on the Company's corporate governance practices during the period from the Listing Date to 31st December, 2012 will be set out in the Corporate Governance Report to be contained in the Company's 2012 Annual Report which will be sent to the Shareholders around the middle of April 2013.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for the year ended 31st December, 2012.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December, 2012 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the period from the Listing Date to 31st December, 2012.

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

Hong Kong, 15th March, 2013

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