ALLIED CEMENT HOLDINGS LIMITED
聯 合 水 泥 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1312)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2013

The board of directors ("Board") of Allied Cement Holdings Limited ("Company") announces that the unaudited consolidated results of the Company and its subsidiaries ("Group") for the six months ended 30th June, 2013 with the comparative figures for the corresponding period in 2012 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the six months ended 30th June, 2013

		Six months ended 30th June,	
		2013	2012
		Unaudited	Unaudited
	Notes	***HK$'000***	*HK$'000*
Revenue	*(4)*	**306,669**	344,613
Cost of sales		**(282,427)**	(312,724)
Gross profit		**24,242**	31,889
Other income	*(5)*	**4,350**	9,517
Net foreign exchange gain		**789**	667
Fair value gains on financial assets designated as at fair value through profit or loss		**8,093**	8,321
Interest income on other principal protected deposits		**4,827**	4,351
Distribution and selling expenses		**(2,196)**	(1,861)
Administrative expenses		**(19,287)**	(19,473)
Reversal of bad and doubtful debts		**21**	2,133
Finance costs		**(2,476)**	(2,794)
Profit before taxation		**18,363**	32,750
Taxation	*(6)*	**(2,756)**	(7,261)
Profit for the period	*(7)*	**15,607**	25,489
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Exchange difference arising on translation to presentation currency		**14,797**	(845)
Total comprehensive income for the period		**30,404**	24,644

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Cont'd)*
for the six months ended 30th June, 2013

		Six months ended 30th June,	
		2013	2012
		Unaudited	Unaudited
	Notes	***HK$'000***	*HK$'000*
Profit for the period attributable to:			
Owners of the Company		**10,043**	14,697
Non-controlling interests		**5,564**	10,792
		15,607	25,489
Total comprehensive income for the period attributable to:			
Owners of the Company		**19,678**	14,300
Non-controlling interests		**10,726**	10,344
		30,404	24,644
		HK cents	*HK cents*
Earnings per share	*(8)*		
Basic		**1.52**	2.28

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30th June, 2013

	Notes	At 30th June, 2013 Unaudited HK$'000	At 31st December, 2012 Audited HK$'000
Non-current assets			
Property, plant and equipment		**417,797**	414,696
Deposits for equipment and machineries		**85,338**	84,284
Prepaid lease payments on land use rights		**7,482**	7,486
Mining right		**7,692**	7,692
Loan receivable		**32,036**	33,068
		550,345	547,226
Current assets			
Properties held for sale		**2,417**	2,387
Inventories		**44,918**	68,530
Trade and bills receivables	*(10)*	**282,087**	247,299
Other receivables, deposits and prepayments		**39,855**	49,353
Financial assets designated as at fair value through profit or loss		**196,428**	308,956
Other principal protected deposits		**379,381**	216,613
Prepaid lease payments on land use rights		**195**	193
Pledged short-term bank deposits		**5,800**	79,398
Time deposits		**–**	61,729
Bank balances and cash		**79,215**	30,162
		1,030,296	1,064,620
Current liabilities			
Trade and bills payables	*(11)*	**86,005**	138,470
Other payables and deposits received		**48,242**	31,379
Amount due to other related party		**4,200**	1,870
Tax liabilities		**141,187**	147,198
Bank borrowings due within one year		**31,068**	59,878
		310,702	378,795
Net current assets		**719,594**	685,825
Total assets less current liabilities		**1,269,939**	1,233,051

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Cont'd)*
at 30th June, 2013

	At 30th June, 2013 Unaudited ***HK$'000***	At 31st December, 2012 Audited *HK$'000*
Capital and reserves		
Share capital	**6,600**	6,600
Share premium and reserves	**741,511**	735,033
Equity attributable to owners of the Company	**748,111**	741,633
Non-controlling interests	**425,957**	419,431
Total equity	**1,174,068**	1,161,064
Non-current liabilities		
Bank borrowings due after one year	**67,069**	42,118
Deferred taxation	**28,802**	29,869
	95,871	71,987
	1,269,939	1,233,051

Notes:

(1) Review by auditor

The interim financial report of the Group for the six months ended 30th June, 2013 has been reviewed by our auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and an unmodified review conclusion has been issued.

(2) Basis of preparation

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

(3) Significant accounting policies

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2012.

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

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

HKFRS 10 "Consolidated Financial Statements"

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC) – Int 12 "Consolidation – Special Purpose Entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1st January, 2013. The directors of the Company concluded that the application of HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (Revised in 2011) and HKAS 28 (Revised in 2011) do not have material impact on the amounts reported in the condensed consolidated financial statements but may result in more extensive disclosures in the consolidated financial statements in annual report for the year ended 31st December, 2013.

HKFRS 13 "Fair Value Measurement"

The Group has applied HKFRS 13 for the first time in the current period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the condensed consolidated financial statements.

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

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. The application of HKFRS 13 has no material financial impact on the fair value measurements of the Group's assets and/or liabilities.

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

The amendments to HKAS 1 introduce new terminology for 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 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Except as described above, the application of the other new or revised HKFRSs in the current period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

(4) Segment information

	Six months ended 30th June,	
	2013	2012
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Manufacture and sales and trading of:		
Cement	**306,669**	339,117
Clinker	**–**	5,496
	306,669	344,613

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

(5) Other income

	Six months ended 30th June,	
	2013	2012
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Interest income from banks	**2,101**	3,602
Interest income from loans receivable	**1,744**	3,838
Overprovision of listing expenses	**–**	1,257
Sundry income	**505**	820
	4,350	9,517

(6) Taxation

	Six months ended 30th June,	
	2013	2012
	Unaudited	Unaudited
	HK$'000	*HK$'000*
The (charge) credit comprises:		
Current tax		
– The People's Republic of China ("PRC") Enterprise Income Tax	**(6,995)**	(9,743)
Overprovision in prior years		
– PRC Enterprise Income Tax	**2,799**	2,227
Deferred tax	**1,440**	255
	(2,756)	(7,261)

(7) Profit for the period

	Six months ended 30th June,	
	2013	2012
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging (crediting):		
Amortisation of mining right (included in administrative expenses)	**94**	93
Depreciation of property, plant and equipment	**10,684**	9,915
Total amortisation and depreciation	**10,778**	10,008
Cost of inventories recognised as expenses	**282,427**	312,724
Release of prepaid lease payments on land use rights	**98**	97
Net (gain) loss on disposal and write-off of property, plant and equipment	**(20)**	27
Operating lease rentals in respect of premises	**449**	137

(8) Earnings per share

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

	Six months ended 30th June,	
	2013	2012
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**10,043**	14,697

	Six months ended 30th June,	
	2013	2012
	Unaudited	Unaudited
	Shares	*Shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**660,000,000**	644,587,912

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

(9) Dividend

The Board does not recommend the payment of an interim dividend (2012: Nil).

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

(10) Trade and bills receivables

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

	At 30th June, 2013 Unaudited *HK$'000*	At 31st December, 2012 Audited *HK$'000*
0 to 90 days	**195,547**	161,594
91 to 180 days	**34,832**	58,306
181 to 365 days	**51,158**	25,318
Over 1 year	**550**	2,081
	282,087	247,299

(11) Trade and bills payables

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

	At 30th June, 2013 Unaudited *HK$'000*	At 31st December, 2012 Audited *HK$'000*
0 to 90 days	**66,693**	62,076
91 to 180 days	**11,378**	68,941
181 to 365 days	**3,922**	3,330
Over 1 year	**4,012**	4,123
	86,005	138,470

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The revenue of the Group for the six months ended 30th June, 2013 was HK$306.7 million (2012: HK$344.6 million), representing a decrease of 11.0% compared to the same period of last year. The profit attributable to owners of the Company for the period was HK$10.0 million (2012: HK$14.7 million). The basic earnings per share amounted to HK1.52 cents (2012: HK2.28 cents).

The financial performance and profits of the Group for the six months ended 30th June, 2013 showed a decrease as compared to the same period of last year. This was mainly attributable to the decrease in the cement price in northern Jiangsu and southern Shandong in comparison to the first half of 2012. Prices for cement products of the Group sold in those areas were also affected.

Although the revenue of the Group for the six months ended 30th June, 2013 decreased by 11.0% compared to the same period of last year, the administrative expenses decreased only slightly compared to the same period of last year. The administrative expenses included the expenses incurred by Shanghai Allied Cement Co., Ltd. ("Shanghai SAC") for the preparation of the development of new cement production facilities at Bailonggang, Pudong, Shanghai ("Bailonggang Project"). After the establishment of a joint venture company ("JV Company") for operating and managing the Bailonggang Project, the JV Company will take up its own expenses.

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.

Cement sales for the Group amounted to 1,080,000 tons (2012: cement and clinker sales of 1,103,000 tons) for the six months ended 30th June, 2013, decreasing by 2.1% compared to the same period of last year.

1. *Shanghai SAC*

   For the six months ended 30th June, 2013, cement distributed by Shanghai SAC amounted to 407,000 tons (2012: 425,000 tons), representing a decrease of 4.2% over the same period of last year, and generated a gross profit of HK$10.6 million (2012: HK$12.3 million). During the period, Shanghai SAC continued to invest part of its net proceeds from the compensation of relocation into wealth management products launched by banks 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$12.3 million (2012: HK$15.8 million). The return from treasury management was lower than that for the same period of last year, mainly due to the reduced total amount invested in treasury management during the period and the decrease in the yield of investment corresponding to the country's interest rate reductions. As at 30th June, 2013, Shanghai SAC's funds for investment into wealth management products launched by banks were replenished by the funds from time deposits and bank balances.

It is noted that in order to shorten the period for preparation of the Bailonggang Project and in response to the change of National tax policy, Shanghai SAC placed an order with some of the equipment suppliers for certain equipment and machineries to be used in the Bailonggang Project at the aggregate consideration of RMB380 million and has settled the respective first payment of the total consideration in an aggregate amount of RMB68.3 million at the end of September 2012. Shanghai SAC has then applied for tax deduction in relation to the use of relocation compensation on the aforesaid purchase of equipment and machineries. During the period, the application has been approved by Shanghai tax authorities in writing and the tax clearance procedures are in the final stages. The previous overprovision for taxation on the relocation compensation funds, after fulfilment of the recognition criteria, will be reversed in due course. The relevant estimated effect on the profit attributable to owners of the Company will be approximately HK$43.3 million.

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

During the period, Allied Wangchao's sales of cement amounted to 673,000 tons (2012: 657,000 tons), increasing by 2.4% over the same period of 2012. Gross profit amounted to HK$12.6 million (2012: HK$20.1 million). The decline in the results was mainly attributable to the substantial decline in product sales prices, among which, the ex-factory price per ton (excluding tax) of grade 42.5 cement dropped from RMB229.74 to RMB199.01, representing a decrease of RMB30.73. Although the cost (excluding tax) per ton of grade 42.5 cement decreased from RMB206.74 to RMB180.28, representing a decrease of RMB26.46, as Allied Wangchao adhered to the cost saving principles of the Group, there was still a shortfall of RMB4.27 per ton in covering the fall in selling price. As a result, it had a negative impact on the profit of the Group. During the period, Allied Wangchao's production of clinker amounted to 440,000 tons (2012: 407,000 tons), representing an increase of 8.1% over the same period of 2012. The clinker produced by Allied Wangchao during the period was mainly used for its cement production. The Group expects that the future production of clinker by Allied Wangchao will be mainly for internal use.

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

The slag production of Shandong SAC during the period reached 38,000 tons, which was mainly used as additives in cement for Allied Wangchao. During the period, Shandong SAC also processed cement for Allied Wangchao with its equipment.

Financial Review

Liquidity and Financing

The Group's capital expenditure, daily operations and investments are mainly funded by cash generated from its operations and loans from principal bankers and financial institutions. As at 30th June, 2013, the Group maintained bank balances and cash reserves of approximately HK$85.0 million (31st December, 2012: HK$171.3 million), including pledged short-term bank deposits of approximately HK$5.8 million (31st December, 2012: including pledged short-term bank deposits of approximately HK$79.4 million and time deposits of approximately HK$61.7 million). Total borrowings amounted to approximately HK$98.2 million (31st December, 2012: HK$102.0 million). As at 30th June, 2013, the equity attributable to owners of the Company amounted to HK$748.1 million (31st December, 2012: HK$741.6 million).

The gearing ratio (net borrowings over equity attributable to owners of the Company) of the Group was 2% (31st December, 2012: negative 9%).

As at 30th June, 2013, the Group's outstanding borrowings of HK$31.1 million was repayable within one year and HK$67.1 million was repayable after one year (31st December, 2012: HK$59.9 million and HK$42.1 million respectively). All of the Group's interest-bearing borrowings bore interest at floating rates.

Risk of Foreign Exchange Fluctuation

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

Pledge of Assets

At the end of the reporting period, certain of the Group's buildings and structures and plant and machinery with aggregate carrying amount of HK$90.7 million, prepaid lease payments on land use rights with carrying amount of HK$6.6 million, certain other principal protected deposits with carrying value of HK$51.4 million together with short-term bank deposits of HK$5.8 million (31st December, 2012: certain of the Group's buildings and structures and plant and machinery with aggregate carrying amount of HK$92.1 million, prepaid lease payments on land use rights with carrying amount of HK$6.6 million, certain bills receivables with carrying amount of HK$4.0 million, certain other principal protected deposits with carrying value of HK$38.5 million together with short-term bank deposits of HK$79.4 million) were pledged to secure bank loans to the extent of HK$73.1 million (31st December, 2012: HK$77.3 million) granted to the Group and short-term bank facilities in respect of the issuance of bills payable to suppliers amounting to HK$51.4 million (31st December, 2012: HK$101.4 million).

Material Capital Commitments and Investments

As announced by the Company on 15th February, 2012, Shanghai SAC entered into the《關於建設「白龍港項目」合作協議》(Bailonggang Project Construction Cooperation Agreement) ("Cooperation Agreement") and the《關於設立合資公司(原則)協議》(Principle Agreement for the Establishment of the Joint Venture Company) ("JV Principle Agreement") with 上海建築材料(集團)總公司 (Shanghai Building Material (Group) General Company) ("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$500.0 million (31st December, 2012: HK$493.8 million)) will be contributed and funded by internal resources of the Group. Details of the transaction were set out in the announcement and circular of the Company dated 15th February, 2012 and 16th March, 2012 respectively.

As announced by the Company on 3rd October, 2012, Shanghai SAC entered into three purchase agreements on 28th September, 2012 for the purchases of certain equipment and machineries at the aggregate consideration of RMB380 million (equivalent to approximately HK$475.0 million (31st December, 2012: HK$469.1 million)). The equipment and machineries under the three purchase agreements were purchased for future use in the Bailonggang Project and the Company does not intend to retain such equipment and machineries for its own use. As at 30th June, 2013, Shanghai SAC has settled the respective first payments of the total consideration in an aggregate amount of RMB68.3 million (31st December, 2012: RMB68.3 million) (equivalent to approximately HK$85.3 million (31st December, 2012: HK$84.3 million)) under the three purchase agreements. Details of the transaction were set out in the announcement and circular of the Company dated 3rd October, 2012 and 15th November, 2012 respectively.

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 was RMB7.0 million (equivalent to approximately HK$8.7 million (31st December, 2012: HK$8.6 million)). A total of approximately RMB3.6 million (equivalent to approximately HK$4.5 million (31st December, 2012: HK$4.5 million)) was recognised as trade and other payables as at 30th June, 2013 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 has 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 30th June, 2013, 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 and results of the Group.

Business Development and Outlook

In the first half of 2013, GDP of China amounted to RMB24,800.9 billion, with an increase of 7.6% over the same period of last year[1]. Fixed asset investment nationwide of China reached RMB18,131.8 billion, with a nominal increase of 20.1% as compared to the same period of last year[2], although its growth slowed down. The GDP of Shanghai was RMB1,016,852 million, up 7.7% from the same period of last year[3], which was above the overall level of the nation of 7.6%.

Overall fixed asset investment of Shanghai amounted to RMB231,579 million, representing an increase of 12.1% over the same period of 2012[3], with investment growth accelerating from 4.5% in the same period of last year[4].

In terms of cement production, total production of cement in China was 1,096.07 million tons for the first half of 2013, representing an increase of 9.7% over the same period of last year[5], with the growth rate picking up notably as compared to 5.5%[6] in the same period of last year. Cement consumption in Shanghai reached 11,172,300 tons, up by 13.11% over the same period of last year[7].

As the CPI of China in the year declined from its high of last year, it caused the mainland government easing slightly the macro-economic policies and the new leaders put forward new proposals. For example, Premier Li Keqiang proposed that economic policies should emphasise non-stimulation, de-leverage and rebalance by means of stabilising commodity prices within a range, and maintaining economic growth above 7% and a reasonable employment rate. To achieve the above-mentioned goals, the government proposes to rebalance the economic structure while reducing administrative intervention to the market and delegating power with an aim of encouraging private investment. Since the beginning of the year, cement production in the country has made some recovery.

It should be noted that the government has set mandatory targets to phase out outdated capacity in the cement industry as the industry suffers from over capacity. It is expected that 76.35 million tons[8] of clinker production capacity will be phased out this year, which should address the problem of oversupply.

The Group will pay close attention to the influence of the country's new economic policies and the positive and negative effects of local government-backed investment units on urbanisation.

Shanghai SAC has three missions currently, namely, facilitating the construction of the Bailonggang Project, proceeding with treasury management and continuing to develop its cement trading business.

1 中華人民共和國國家統計局 • (16/7/2013) "*2013年上半年國內生產總值(GDP)初步核算情況*", < http://www.stats.gov.cn/tjfx/jdfx/t20130716_402911398.htm> [21/8/2013]
2 中華人民共和國國家統計局 • (15/7/2013) "*2013年1-6月份全國固定資產投資主要情況*", <http://www.stats.gov.cn/tjfx/jdfx/t20130715_402911031.htm> [21/8/2013]
3 上海市統計局 • (23/7/2013) "*上半年上海市國民經濟運行情況*", <http://www.stats-sh.gov.cn/xwdt/201307/259407.html> [21/8/2013]
4 上海市統計局 • (23/7/2012) "*1-6月本市全社會固定資產投資增長4.5%*", <http://www.stats-sh.gov.cn/sjfb/201207/245293.html> [21/8/2013]
5 中華人民共和國國家統計局 • (15/7/2013) "*2013年6月份規模以上工業生產運行情況*", <http://www.stats.gov.cn/tjfx/jdfx/t20130715_402911022.htm> [21/8/2013]
6 中華人民共和國國家統計局 • (13/7/2012) "*2012年6月份全國規模以上工業生產運行情況*", <http://www.stats.gov.cn/tjfx/jdfx/t20120713_402817911.htm> [21/8/2013]
7 上海市水泥行業協會編印 •《上海水泥技術信息》第278期
8 中華人民共和國工業和信息化部 • (25/7/2013) "*工業和信息化部公告今年首批工業行業淘汰落後產能企業名單*", <http://www.miit.gov.cn/n11293472/n11293832/n11293907/n11368223/15535781.html> [21/8/2013]

The Bailonggang Project will help the Group realise its vision of taking the initiative in the recycling economy and maintain the enterprise with solid foundations and future potential. Following our various efforts, the National Development and Reform Commission issued the "Reply on Starting Preliminary Work for the Demonstrative Base of Comprehensive Utilisation of Resources in Shanghai, issued by the General Office of National Development and Reform Commission" (Fa Gai Ban Chan Ye (2013) No.1875) to the Shanghai Municipal Development and Reform Commission on 24th July, 2013. The document fully acknowledged the positive contribution of the project on industrial structure rebalancing, optimisation and upgrading, the development of a recycling economy and improving the environment. The approval from the authorities represented a permit to proceed and marked an important milestone of the project. The principal activities for the next stage are land retention and acquisition, finalisation of technical proposals for the project, inviting project and dock biddings and commencement of construction. Currently, the top priority is to establish the JV Company for the project and the provisional name of the company is "Shanghai Wanhua Allied Eco Materials Co., Ltd.". The prerequisites for the establishment of the company have been satisfied.

In terms of treasury management, Shanghai SAC prudently invested most of its surplus funds into wealth management products launched by banks.

In regard to the cement trading business, Shanghai SAC intends to expand its business proactively and soundly, creating new business modes for the Group which not only meet the customers' needs and maintain the market position of the Company, but also generate a reasonable return for shareholders. With the progress of the business, Shanghai SAC continues to improve its sales, purchase, storage, and logistic processes, enhance the competence of its teams and gather experience for the management of the Bailonggang Project.

During the period, Allied Wangchao strengthened its management and technology innovations, improved efficiency and reduced its consumption and costs. It reduced 1.45 kg of raw coal consumption in output per ton of clinker and 8.48 KWh of electricity consumption in output per ton of grade 42.5 cement when compared to the same period of 2012. As a result, the cost of cement production was substantially reduced, which offset some of the negative impacts from the declined cement price.

Since the Group invested in the project of Shanghai SAC in 1993, it has pursued the recycling economy concept, technology innovation, and commitment to social responsibility and satisfying the needs of its customers, as well as creating value for shareholders and attaching great importance to the core values of its staff. With the commencement of construction of the Bailonggang Project, the Group will integrate its business into the city's environmental protection activities, becoming an important part of the urban industrial chain and realising its vision of taking the initiative in the recycling economy with its new undertakings.

Employees

As at 30th June, 2013, the Group employed 346 (31st December, 2012: 350) persons. The Group maintains a policy of paying competitive remuneration packages and employees are also rewarded on performance related basis including salary and bonus.

INTERIM DIVIDEND

The Board considers that it is prudent to retain an appropriate level of funds to take advantage of business opportunities as and when they arise, and therefore does not intend to declare an interim dividend (2012: Nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30th June, 2013, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report ("CG Code") as set out in Appendix 14 of the Listing Rules, except for certain deviations which are summarised below:

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

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

The Company does not at present have a Chairman of the Board. Mr. Ng Qing Hai, being the Managing Director and Executive Director of the Company, is responsible for the overall management of the Group as well as part of the duties of Chairman of the Board which 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, 2012 ("2012 Annual Report"), 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 will continue to identify a suitable and appropriate candidate for appointment as Chairman, and will elect a Chairman as soon as practicable.

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

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

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

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

The reasons for the above deviations were set out in the Corporate Governance Report contained in the 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.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the unaudited interim financial report for the six months ended 30th June, 2013. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditors in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA as well as reports obtained from management. The Audit Committee has not undertaken detailed independent audit checks.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30th June, 2013.

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

Hong Kong, 21st August, 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.