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 2014

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, 2014 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31st December, 2014

	Notes	**2014** *HK$'000*	2013 *HK$'000*
Revenue	*(3)*	**733,125**	703,468
Cost of sales		**(663,039)**	(632,912)
Gross profit		**70,086**	70,556
Other income	*(4)*	**28,737**	14,743
Net foreign exchange (loss) gain		**(1,329)**	1,849
Fair value gains on financial assets designated as at fair value through profit or loss		**4,574**	14,049
Interest income on other principal protected deposits		**13,938**	13,060
Distribution and selling expenses		**(6,423)**	(4,584)
Administrative expenses		**(47,152)**	(42,164)
(Allowance for) reversal of bad and doubtful debts		**(1,530)**	227
Finance costs		**(14,794)**	(5,118)
Profit before taxation		**46,107**	62,618
Taxation	*(5)*	**(18,083)**	(16,396)
Profit for the year	*(6)*	**28,024**	46,222
Other comprehensive income:			
Item that will not be reclassified subsequently to profit or loss:			
Exchange difference arising on translation to presentation currency		**–**	29,299
Total comprehensive income for the year		**28,024**	75,521

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Cont'd)*
for the year ended 31st December, 2014

	Notes	**2014** **HK$'000**	2013 *HK$'000*
Profit for the year attributable to:			
Owners of the Company		**17,280**	32,564
Non-controlling interests		**10,744**	13,658
		28,024	46,222
Total comprehensive income for the year attributable to:			
Owners of the Company		**17,280**	51,706
Non-controlling interests		**10,744**	23,815
		28,024	75,521
		HK cents	*HK cents* (Restated)
Earnings per share	*(7)*		
Basic		**0.43**	0.82

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31st December, 2014

	Notes	**2014**	2013
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**422,100**	414,669
Deposits for equipment and machineries		**86,418**	86,418
Prepaid lease payments on land use rights		**7,279**	7,477
Mining right		**9,870**	7,694
		525,667	516,258
Current assets			
Properties held for sale		**2,448**	2,448
Inventories		**40,089**	51,506
Trade and bills receivables	*(9)*	**307,323**	339,271
Other receivables, deposits and prepayments		**62,146**	51,983
Loans receivable		**7,605**	34,208
Financial assets designated as at fair value through profit or loss		**–**	252,838
Other principal protected deposits		**240,349**	325,326
Prepaid lease payments on land use rights		**198**	198
Amounts due from other related parties		**167,344**	–
Pledged short-term bank deposits		**21,697**	12,446
Time deposits		**25,317**	1,899
Bank balances and cash		**1,026,591**	37,615
		1,901,107	1,109,738
Current liabilities			
Trade and bills payables	*(10)*	**100,611**	138,719
Other payables and deposits received		**49,064**	43,403
Amounts due to other related parties		**69**	8,967
Tax liabilities		**97,947**	99,502
Bank and other borrowings due within one year		**257,554**	28,741
		505,245	319,332
Net current assets		**1,395,862**	790,406
Total assets less current liabilities		**1,921,529**	1,306,664

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Cont'd)*
at 31st December, 2014

	2014	2013
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**9,900**	6,600
Share premium and reserves	**1,274,791**	773,539
Equity attributable to owners of the Company	**1,284,691**	780,139
Non-controlling interests	**429,058**	430,169
Total equity	**1,713,749**	1,210,308
Non-current liabilities		
Bank and other borrowings due after one year	**185,000**	65,750
Deferred taxation	**22,780**	30,606
	207,780	96,356
	1,921,529	1,306,664

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 ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and by the Hong Kong Companies Ordinance, which during the year continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with the transitional arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622).

(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 at the end of each reporting period, as appropriate.

The Group has applied the following new interpretation and amendments to HKFRSs issued by the HKICPA for the first time in the current year.

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

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

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[5]

1 Effective for annual periods beginning on or after 1st January, 2018, with earlier application permitted.

2 Effective for first annual HKFRS financial statements beginning on or after 1st January, 2016, with earlier application permitted.

3 Effective for annual periods beginning on or after 1st January, 2017, with earlier application permitted.

4 Effective for annual periods beginning on or after 1st July, 2014, with earlier application permitted.

5 Effective for annual periods beginning on or after 1st January, 2016, with earlier application permitted.

6 Effective for annual periods beginning on or after 1st July, 2014, with limited exceptions. Earlier application is permitted.

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting 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.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company ("Directors") anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the financial year when HKFRS 9 is mandatory effective and that the application of the new standard may have impact on amounts reported in respect of the Group's financial assets.

For other new and revised standards and amendments, 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 profit or loss and other comprehensive income respectively.

Information about major products

The revenue of the major products is analysed as follows:

	2014	2013
	HK$'000	*HK$'000*
Manufacture and sales and trading of:		
Cement	**721,048**	700,388
Clinker	**12,077**	3,080
	733,125	703,468

Information about major customers

For the year ended 31st December, 2014, revenue from a customer amounting to HK$84,713,000 individually represented more than 10% of the Group's revenue. No revenue from transaction with single external customer amounted to 10% or more of the Group's revenue for 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

	2014	2013
	HK$'000	*HK$'000*
Interest income from banks	**657**	2,495
Interest income from loans receivable	**1,652**	3,532
Interest income from a non-controlling shareholder of the Group's subsidiary	**4,584**	–
Government subsidy – value added tax refunded	**18,782**	1,556
Government subsidy – others	**213**	5,760
Sundry income	**2,849**	1,400
	28,737	14,743

(5) Taxation

	2014 *HK$'000*	2013 *HK$'000*
The (charge) credit comprises:		
Current tax		
– PRC Enterprise Income Tax	**(27,026)**	(19,730)
– Hong Kong Profits Tax	**(19)**	(19)
	(27,045)	(19,749)
Overprovision in prior years		
– PRC Enterprise Income Tax	**1,136**	3,335
Deferred tax	**7,826**	18
	(18,083)	(16,396)

The PRC Enterprise Income Tax is calculated at the rates applicable to respective subsidiaries. The applicable tax rate for subsidiaries established in the PRC is 25% for both years. 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.

(6) Profit for the year

	2014 *HK$'000*	2013 *HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Amortisation of mining right (included in administrative expenses)	**230**	193
Depreciation of property, plant and equipment	**21,759**	21,739
Total amortisation and depreciation	**21,989**	21,932
Cost of inventories recognised as expenses	**663,039**	632,912
Release of prepaid lease payments on land use rights	**198**	198
Net loss (gain) on disposal and write-off of property, plant and equipment	**524**	(43)
Operating lease rentals in respect of premises	**1,075**	819

(7) Earnings per share

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

	2014 *HK$'000*	2013 *HK$'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**17,280**	32,564

	2014 *Shares*	2013 *Shares* (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,999,617,086**	3,975,590,551

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

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been adjusted for the effects of the open offer completed in December 2014 and the subdivision of the Company's ordinary shares in January 2015. The adjustments have been reflected retrospectively by restating the opening weighted average number of ordinary shares at 1st January, 2013.

(8) Dividend

The Board does not recommend the payment of a final dividend for the year ended 31st December, 2014 (2013: Nil).

No dividend was declared or paid by the Company during the year. The Company declared and paid dividends of HK$13,200,000, representing HK2 cents per share being the final dividend of 2012, during the year ended 31st December, 2013.

(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:

	2014 ***HK$'000***	2013 *HK$'000*
0 to 90 days	**195,380**	267,495
91 to 180 days	**66,456**	56,954
181 to 365 days	**32,932**	10,451
Over 1 year	**12,555**	4,371
	307,323	339,271

(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:

	2014 ***HK$'000***	2013 *HK$'000*
0 to 90 days	**68,905**	64,644
91 to 180 days	**26,586**	68,641
181 to 365 days	**1,280**	1,419
Over 1 year	**3,840**	4,015
	100,611	138,719

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The revenue of the Group for the year ended 31st December, 2014 was HK$733.1 million (2013: HK$703.5 million), representing an increase of 4.2% compared to the previous year. The profit for the year of the Company was HK$28.0 million (2013: HK$46.2 million), representing a decrease of 39.4% compared to 2013. The basic earnings per share amounted to HK0.43 cents (2013: HK0.82 cents (Restated)).

The Group reported a decrease in business results for 2014, which was primarily attributable to the significant increase in finance costs incurred in connection with additional bank and other borrowings drawn by the Group in the second half of the year in support of the business expansion of the Group and the maturity of its investment in exchange rate-linked structured deposits during the year thereby resulting decrease in fair value gains on financial assets designated as at fair value through profit or loss. The decrease in fair value gains is non-recurring and the overall financial position and the business operation of the Group remain solid.

Administrative expenses for the year ended 31st December, 2014 amounted to HK$47.2 million (2013: HK$42.2 million), representing an increase of 11.8% as compared to 2013, which was mainly due to increase in staff costs and service fee for temporary labours.

Business Review

Overview

The Group has faced a tough operating environment in 2014, given the slowdown in economic growth and lingering deflationary pressure in China. According to data published by National Bureau of statistics of the People's Republic of China, China's gross domestic product in 2014 experienced a year-on-year increase of 7.4% to RMB63,646.3 billion, representing a relatively low growth level since 1990. Capital investment in China continued to grow but at a slower pace, as evidenced by a year-on-year decrease of 3.9 percentage points in growth of national investment in fixed assets (excluding rural households) in 2014. At the same time inflation has slowed down to a modest level with growth of consumer price index of 2.0% in 2014, which was lower than 3.5% set out for the year.

In view of the aforementioned recent economic challenges in China, the chinese government has adopted a series of measures to counteract the negative impact of economic slowdown and rejuvenate the economy. The approval of several key infrastructural projects was accelerated, including high-speed railway, nuclear power, hydropower and power grids reconstruction projects throughout the country. President Xi has proposed the "One Belt and One Road（一帶一路）"outward development strategy which positioned China as the link between Asia Pacific, Europe and Africa regions, focusing on the "Silk Road Economic Belt（絲綢之路經濟帶）"and the "21st Century Maritime Silk Road（21世紀海上絲綢之路）". These measures have relieved excess capacity and stimulated consumer demand in China. In addition, the People's Bank of China successively reduced the benchmark rate and lowered the deposit reserve ratio, while the Ministry of Finance of the PRC approved local government bonds to replace inventory debts amounting to RMB1.0 trillion. It is expected that these measures will bring a positive effect to impede the economic downturn.

Operating Environment of the PRC Cement Industry

As one of the PRC's keys industries with excess production capacity and targets in energy saving and emissions reduction, fixed assets investment in the PRC cement industry experienced year-on-year decreases for four consecutive years since the significant decline began in 2011. Statistics from the Ministry of Industry and Information Technology of the People's Republic of China (中華人民共和國工業和信息化部) showed that China's fixed assets investment in the cement industry was RMB115.527 billion in 2014, representing a fall of 18.7% as compared with last year. Existing investments were mainly applied to the enhancement and reconstruction of production lines, energy saving and emission reduction, denitration and environment protection.

Given the excess production capacity in the industry, the growth in China's cement output of 1.8% in 2014 was significantly lower than that in 2013 by 7.8 percentage points, with a total cement output of 2,476.19 million tons according to National Bureau of Statistics of the People's Republic of China. From a geographical perspective, the year-on-year growth rates for production in major areas of the PRC were below 10% in 2014 as stated by China Building Materials Information (中國建材信息總網). In particular, South-western China experienced the highest year-on-year growth of 7.80%, followed by that of South-Central of China of 4.78%. The growth rates of Eastern China and North-western China were 1.42% and 1.28% respectively, while Northern China and North-eastern China suffered year-on-year decreases of 10.04% and 3.78% respectively.

At the same time, the average cement price across China fell in 2014. According to an analysis of cement prices in China performed by China Building Materials Information (中國建材信息總網), the average selling price of PO42.5 grade cement in 2014 was RMB328.88 per ton, representing a decrease of RMB8.95 per ton as compared with that of the previous year.

The Group's operation 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.

Though the Chinese economy and operating environment of the cement industry was tough and challenging in 2014, the business of the Group experienced stable growth during the year. The Group's cement and clinker sales amounted to 2,424,000 tons (2013: 2,370,000 tons) for the year ended 31st December, 2014, representing an annual increase of 2.3%. Cement sales retained a top 80 ranking among key national associated cement enterprises across the PRC.

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

In 2014, cement distributed by Shanghai SAC amounted to 1,039,000 tons (2013: 916,000 tons), up by 13.4% from the previous year. Gross profit generated was HK$25.2 million (2013: HK$23.0 million), representing an increase of 9.6% from last year. During the year, Shanghai SAC republished its financial management policies and sales management policies to better align with the Group's development strategies. During the year, Shanghai SAC also reorganised its customer portfolio and secured larger scale enterprises with higher credibility, while also exiting some customers with greater credit risk. Under the current state of the economy, Shanghai SAC will monitor economic situation, identify right customer portfolios and mitigate associated risks.

Shanghai SAC continued to invest part of its net proceeds from the compensation of relocation cautiously into wealth management products in accordance with the Group's treasury policies and investment guidelines. Shanghai SAC recorded fair value gains and interest income on financial assets of HK$16.6 million (2013: HK$26.2 million) through treasury management, representing a decrease of 36.6% from last year. The lower return from wealth management products was mainly due to the maturity of certain investments during the year.

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

In 2014, Allied Wangchao's clinker production increased slightly to 920,000 tons (2013: 917,000 tons), while cement production fell 8.3% to 1,334,000 tons (2013: 1,454,000 tons). Gross profit increased by 2.9% in 2014 to HK$46.2 million (2013: HK$44.9 million).

Despite the average selling price of grade 42.5 cement falling RMB6.54 per ton during the year, Allied Wangchao's production cost was lowered by RMB8.04 per ton, ultimately resulting in a gross profit over 2014. During the year, Allied Wangchao made use of various preferential policies and several strategic tax reductions and approved, rebates including a rebate of over RMB14.0 million received.

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

Shandong SAC's slag prodcution during the year fell 67.0% to 29,000 tons (2013: 88,000 tons). Shandong SAC is actively exploring the possibility of products transformation and upgrading.

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

The Bailonggang Project was initiated in 2008 for the Shanghai Expo. On 13th 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) (now known as 上海建材(集團)有限公司) ("Shanghai Building Material") for the purpose of setting up a joint venture company ("JV Company") to construct, operate and manage the Bailonggang Project. Pursuant to the agreements, the JV Company is held as to 50% respectively by each of Shanghai SAC and Shanghai Building Material. The former will nominate the general manager and the latter will nominate the chairman of the board who will be appointed by the board of Shanghai SAC. The registered capital of the JV Company is RMB800 million, in which each of Shanghai SAC and Shanghai Building Material will inject RMB400 million.

The Bailonggang Project obtained the approval letter issued by Shanghai Municipal Development and Reform Commission on 26th January, 2014. The preliminary works included land retention and acquisition are in progress. It is expected that the annual output of cement would reach 2,700,000 tons and the annual treatment capacity of various waste would reach 2,280,000 tons upon the completion of the project.

Financial Review

Liquidity and Financing

On 22nd December, 2014, 330,000,000 ordinary shares of the Company were issued additionally by way of open offer, raising gross proceeds of HK$495.0 million.

Except for the proceeds received from the issue of shares, the Group's capital expenditure, daily operations and investments are mainly funded by cash generated from its operations, issuance of loan notes and loans from principal bankers and financial institutions.

During the year ended 31st December, 2014, the Group issued Hong Kong dollars ("HK$") denominated unsecured loan notes to third parties with aggregate principal amount of HK$185.0 million.

As at 31st December, 2014, the Group maintained bank balances and cash reserves of approximately HK$1,073.6 million (2013: HK$52.0 million), including pledged short-term bank deposits of approximately HK$21.7 million (2013: HK$12.4 million) and time deposits of approximately HK$25.3 million (2013: HK$1.9 million).

As at 31st December, 2014, the Group's outstanding borrowings HK$257.6 million were repayable within one year and HK$185.0 million were repayable after one year (2013: HK$28.7 million and HK$65.8 million respectively). Approximately 90.0% of the Group's outstanding borrowings were denominated in HK$ and the remainder were in Renminbi ("RMB"). Around 41.8% of the Group's interest bearing borrowings were charged with interest at fixed rates while the remainder were at floating rates.

The gearing ratio (total borrowings over total assets) of the Group as at 31st December, 2014 was as follows:

	2014	2013
	HK$'000	*HK$'000*
Total borrowings	**442,554**	94,491
Total assets	**2,426,774**	1,625,996
Gearing ratio	**18%**	6%

As at 31st December, 2014, the amounts due from other related parties were HK$167.3 million (2013: Nil), which represent the provision of entrusted loans through a bank to Shanghai Building Material and the related interest receivable. Details of the transactions were set out in the announcements of the Company dated 23rd May, 2014 and 2nd July, 2014 respectively.

Financial Management and Policy

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

Risk of Foreign Exchange Fluctuation

The Group's operations are mainly located in Mainland China and its transactions, related working capital and borrowings are primarily denominated in RMB and HK$. The Group closely monitors such foreign exchange exposure and will consider hedging significant currency exposure should the need arises. However, since the Group's consolidated financial statements are presented in HK$ 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$139.9 million, prepaid lease payments on land use rights with carrying amount of HK$6.5 million, certain other principal protected deposits with carrying value of HK$151.9 million together with short-term bank deposits of HK$21.7 million were pledged to secure bank loans to the extent of HK$213.2 million granted to the Group and short-term bank facilities in respect of the issuance of bills payable to suppliers amounting to HK$64.1 million (2013: certain of the Group's buildings and structures and plant and machinery with aggregate carrying amount of HK$95.6 million, prepaid lease payments on land use rights with carrying amount of HK$6.6 million, certain bills receivables with carrying amount of HK$15.7 million, certain other principal protected deposits with carrying value of HK$74.9 million together with short-term bank deposits of HK$12.4 million were pledged to secure bank loans to the extent of HK$82.6 million granted to the Group and short-term bank facilities in respect of the issuance of bills payable to suppliers amounting to HK$105.8 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. The 50% share of registered capital of the JV Company attributable to the Group amounting to RMB400 million (equivalent to approximately HK$506.3 million (2013: HK$506.3 million)) will be contributed and funded by internal resources of the Group. Details of the transaction were set out in the announcement and circular of the Company dated 15th February, 2012 and 16th March, 2012 respectively.

As announced by the Company on 3rd October, 2012, Shanghai SAC entered into three purchase agreements on 28th September, 2012 for the purchases of certain equipment and machineries at the aggregate consideration of RMB380 million (equivalent to approximately HK$481.0 million (2013: HK$481.0 million)). The equipment and machineries under the three purchase agreements were purchased for future use in the Bailonggang Project and the Company does not intend to retain such equipment and machineries for its own use. Up to 31st December, 2014, Shanghai SAC settled the first instalment of the total consideration under the respective three agreements in an aggregate amount of RMB68.3 million (2013: RMB68.3 million) (equivalent to approximately HK$86.5 million (2013: HK$86.5 million)) under the three purchase agreements. Details of the transaction were set out in the announcement and circular of the Company dated 3rd October, 2012 and 15th November, 2012 respectively.

Event after the End of the Reporting Period

On 19th January, 2015, the Company announced that each of the existing issued and unissued shares in the share capital of the Company of HK$0.01 per share was subdivided into five shares of HK$0.002 each ("Share Subdivision") and the board lot size for trading on the Stock Exchange was changed from 3,000 shares of the Company to 6,000 shares of the Company ("Change in Board Lot Size") with effect from 20th January, 2015. Details of the Share Subdivision and Change in Board Lot Size were set out in the circular and announcement of the Company dated 30th December, 2014 and 19th January, 2015 respectively.

Employees

As at 31st December, 2014, the Group employed 324 (2013: 344) persons. The Group maintains a policy of paying competitive remuneration packages and employees are also rewarded on performance related basis including salary and bonus.

Change of Controlling Shareholder and Open Offer

On 4th February, 2014, China Health Management Investment Limited ("China Health") became the controlling shareholder of the Company upon completion of a sale and purchase agreement dated 7th December, 2013 relating to the sale of 370,000,000 shares of the Company. Details of the change of controlling shareholder were set out in the joint announcements dated 16th December, 2013 and 4th February, 2014 issued jointly by the Company and China Health. On 4th March, 2014, after the close of the mandatory unconditional cash offer, China Health held 370,000,000 shares of the Company, details of which were set out in the circular dated 11th February, 2014 and the announcement dated 4th March, 2014 issued jointly by the Company and China Health.

On 7th November, 2014, the Company announced that it proposed to raise approximately HK$495.0 million before expenses by way of open offer of 330,000,000 new ordinary shares ("Offer Shares") at the subscription price of HK$1.5 per Offer Share on the basis of one Offer Share for every two shares held by the shareholders of the Company ("Open Offer"). Details of the Open Offer and the results of the Open Offer were set out in the announcements of the Company dated 7th November, 2014 and 22nd December, 2014 respectively. The Open Offer was completed on 22nd December, 2014.

After the completion of the Open Offer, China Health held 555,000,000 shares of the Company, which constituted approximately 56.06% of the total issued shares of the Company as at 31st December, 2014.

A TREND OF CEMENT INDUSTRY DEVELOPMENT IN 2015

In 2015, the major restraints hindering the improvement of overall cement demand in the PRC mainly lies with the real estate sector. Despite the surge of infrastructure construction projects will increase the demand for cement, the demand arising from rural construction is insignificant. Overall, the slowdown in the growth of PRC cement demand will be inevitable. In the real estate sector, it takes at least half a year from sales sentiment recovery to land acquisition and commencement of new projects. In addition, time lag exists in certain infrastructure construction projects from approval to open tender and commencement of construction. Therefore, the demand growth of cement may initially be low and eventually grow higher. According to an article published by cnstock.com（中國證券網）, it forecasted that China's cement market demand would experience an increment of approximately 2% in 2015, while supply will increase by approximately 2.2% with the equilibrium of supply and demand remaining stable.

It is expected that PRC coal supply and demand will generally remain stable in 2015. The downward potential for coal price is modest due to cost and policy limitations, and an overall price level comparable to that in 2014 is anticipated. In 2015 the marginal supply and demand in the PRC cement industry is expected to further improve. However the cement price in the PRC will experience a modest decline in the first half of the year, given that market demand will still remain at a lower level and along with the pessimistic market sentiment. It is expected that cement price will increase in the second half of the year due to traditional peak season. Accordingly the overall cement price for the whole year will remain stable, while the price in 2015 is expected to be lower than that in 2014.

STRATEGIC BUSINESS DEVELOPMENT

With respect to the cement product mix of our Group, we will pursue innovation, develop specialised cement, create new profit room, and explore new segments. For cement production equipment and technique, we will increase our automation level, achieve automation and informationalise the cement central control room. Our future focus is to employ smarter cement equipment to increase technology level, reduce staff and increase efficiency. We will actively explore new cement industry developments with our peers to promote overall industry advancement.

Regarding environmental protection, we will adhere to the principle of building a resource-conserving and environment-friendly society, by developing and utilizing green energy, energy-saving and emission reducing technology.

As a cement group of over two decades, the Group will continue to improve its existing businesses. In addition, the Board has reviewed the businesses of the Group and will actively explore medical, pharmaceutical and health industry business and investment opportunities, such as hospital management, healthcare and elderly care services and so on, in order to enhance its income and prepare for the Group's future development.

OUTLOOK

China has entered into a new era of economic growth, transitioning from a rapid development pace which has lasted for over three decades to a moderate development pace. The government encourages individuals and enterprises to focus on quality enhancement, rather than merely pursuing quantity growth. The practice of boosting economy by injecting heavy investments is no longer sustainable. Export growth is limited by economic depression in Europe, Japan and emerging markets. As for consumption growth, household consumption could hardly achieve a considerable growth in the short run amid the decline of the real estate market from its peak. Therefore the three main engines of economic growth (export, consumption and investment) has demonstrated a sluggish sign, which was the root cause of the new era of economy. In order to stimulating the weakening economic growth, the government has launched the "One Belt and One Road（一帶一路）" outward development strategy to position China as the link between Asia Pacific, Europe and Africa regions focusing on the "Silk Road Economic Belt（絲綢之路經濟帶）" and the "21st Century Maritime Silk Road（21世紀海上絲綢之路）".

As a raw material industry, the cement market is closely related to the overall economic growth. The market development prospect of the cement industry is limited by the general economic downturn. Enterprises need to acquire a broader vision, seize the valuable opportunities offered by the "One Belt and One Road（一帶一路）" outward development strategy and capture opportunities in new markets. At the same time, they shall tap internal potential, improve efficiency and cut expenditures in order to gain initiatives under the new economic environment. In particular, the Bailonggang Project has obtained approval letter issued by the Shanghai Municipal Development and Reform Committee on 26th January, 2014 and the land retention and acquisition are in progress. The Bailonggang Project will also seize the new market opportunities and commence operation in the near future.

As mentioned above, in addition to pursuing its own strategies to improve the core competitiveness of its existing businesses, the Board has reviewed the businesses of the Group and will actively explore business and investment opportunities, in order to enhance its income and prepare for the Group's future development.

We need to strive to overcome difficulties arising from the new economic climate with a positive attitude and hard-working spirit. As required by the 2015 working conference of the Group, we will hold fast to and thoroughly implement the idea of thriving in the new economic climate by increasing efficiency, saving costs and thereby increasing revenue, and by working hard and actively exploring reforms to improve the Group's business and operation.

NON-COMPETITION CONFIRMATION

The Company entered into a deed of non-competition dated 20th December, 2011 ("Non-competition Deed") with Tian An China Investments Company Limited ("TACI", the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 28) and the then controlling shareholder of the Company). The Company has complied with the Non-competition Deed during the period from 1st January, 2013 to 4th February, 2014, the date on which China Health became controlling shareholder of the Company. The Group is principally engaged in the manufacture and sales of cement, clinker and slag, trading of cement and provision of technical services with operations in Shandong province and Shanghai in the PRC whereas TACI is principally engaged in property development and investment. The previous board of directors of the Company was not aware of any breach done by TACI and the Company during the period from 1st January, 2013 to 4th February, 2014.

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

There is no amendment made to the Non-competition Deed during the period from 1st January, 2013 to 4th February, 2014. As TACI and its associates (i) ceased to hold 30% or more of the entire issued share capital of the Company on 4th February, 2014 and (ii) did not have any power to control the Board thereafter, the Non-competition Deed was therefore terminated in accordance with its terms on 4th February, 2014. China Health, the new controlling shareholder of the Company, and the Company have not entered into any non-competition deed.

DIVIDEND

The Board has resolved not to recommend any final dividend for the year ended 31st December, 2014 (2013: Nil).

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting ("2015 AGM") is scheduled to be held on Wednesday, 3rd June, 2015. For determining the entitlement to attend and vote at the 2015 AGM, the register of members of the Company will be closed on Tuesday, 2nd June, 2015 and Wednesday, 3rd June, 2015, during which period no transfer of shares of the Company will be registered. In order for a shareholder of the Company ("Shareholder") to be eligible to attend and vote at the 2015 AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 1st June, 2015.

CORPORATE SOCIAL RESPONSIBILITY

1. *Strongly supporting regional educational industries*

   Regarding corporate social responsibility, the Group remains committed to actively support regional educational industries. In 2014, Allied Wangchao donated more than 700 sets of school uniforms to the students of two primary schools in Taierzhuang District, Zaozhuang City, Shandong province. It rewarded more than 200 employees' children in schools and provided assistance to support college students who came from poor families.

   Apart from the aforementioned corporate behaviors, over the years, Mr. Ng Qing Hai, the Managing Director of the Group, contributed on his own to set up the Ng Qing Hai Incentives and Education Scholarship (“黃清海獎教獎學金”) for his alma mater, Nanan No. 2 Middle School, for rewarding teachers and students who performed distinctively. Mr. Ng delivered his remarkable speech and inspired generations of students of Nanan No. 2 Middle School. The passion and support in education and sacrificial spirit of Mr. Ng are widely applauded and praised by the citizens in his hometown.

2. *Strengthening green construction in support of ecological civilisation*

   According to the Group's vision of taking the initiative in the recycling economy and keeping the enterprise with solid foundations and a promising future, the Group remains focused on reinforcing green construction within its factory zone, to making it green and a garden-like factory. Allied Wangchao has also invested more than RMB40 million in total to establish the 4.5MW waste heat power generation units to make full use of kiln waste heat, self-solving the 30% power consumption need for production. In addition, the waste heat power generation units has reduced carbon dioxide emissions by approximately 30,000 tons annually since it started operation officially in 2011 and minimized the emissions of dust and other harmful gases correspondingly. Allied Wangchao has also invested over RMB4.0 million in total to install the denitration equipment to denitrate kiln waste gas and reduce emission of nitrogen oxide to be far under the emission permit value of $400mg/m^3$.

3. *Strengthening the construction of spiritual civilisation*

In order to promote China's splendid five thousand years of civilisation, integrate the cultural essence of Book of Changes, Taoist, Confucianism, Buddhism with the Group's operation philosophy, and contribute to the world its excellent culture, Mr. Huang Wuhu, General Manager of Allied Wangchao, elaborately planned and produced the culture wall of "1顏天地". The culture wall "1顏天地" was named by and handwritten in person by Mr. Han Meilin, a master in arts and crafts. The culture wall of "1顏天地" was then designed and constructed by his disciple Mr. Xu Taibao, which took two and a half years to complete. The culture wall of "1顏天地" is presented in a rilievo art form with wonderful designs and rich connotations, and contains a total of 28 morals. Allied Wangchao applied this for a world record to World Record Association and had successfully passed the expert group argumentation process. In its argumentation statement, the World Record Association stated: "The culture wall of "1顏天地" contains 28 morals, roots the Chinese traditional culture, considers the whole moral philosophy of self-discipline and social commitment, integrates the cosmos evolution of life and growth of human nature with the past, present and future vision of Allied Wangchao, by which guiding people's behavior and building a happy and auspicious community.

Allied Wangchao issues a monthly journal of "上聯之聲". This journal contains major events of the company, working conferences, technology proposals, practices and operations, occupation training, literature garden, health living. The journal is not only a summary of the production practice to properly keep the valuable experience of its development, but also provide a good guidance of the future direction for its employees, and is an enriched pabulum and cultural life for them.

4. *Playing an active part in community affairs*

Funds in the amount of over RMB3 million were provided by Allied Wangchao to finance the construction of a temporary bridge that facilitates villagers and vehicles to travel to and from the villages near Caoloucun and Yijia River, Zaozhuang. In 2014 Allied Wangchao also invested RMB2.26 million for the construction of a new road from the factory zone to Taierzhuang, which is also open for public use, solving the issue of difficult access of the area.

On every Chung Yeung Festival, Allied Wangchao arranged its staffs to bring edible oil, rice, flour and other necessities and consolation money to visit the elderly homes near villages and to appease the elderlies' mind, so that they can enjoy a happy and well-being senior life.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

During the year ended 31st December, 2014, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report ("CG Code") as set out in Appendix 14 to the Listing Rules, except for certain deviations which are summarised below:

(1) Code Provision A.2.1

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.

For the period from 1st January, 2014 to 23rd July, 2014, the Company did not have a Chairman of the Board. Mr. Ng Qing Hai, being the Managing Director of the Company, was responsible for the overall management of the Group as well as part of the duties of Chairman of the Board, which constituted a deviation from the above code provision.

On 24th July, 2014, Mr. Huang Yu, an Executive Director, was appointed as the Chairman of the Board. Since then, the roles of the Chairman and the Managing Director have been separated.

(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 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 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 Company's Annual Report for the financial year ended 31st December, 2013 and will be so included in the Company's Annual Report for the financial year ended 31st December, 2014 ("2014 Annual Report"). The Board has reviewed the terms during the year under review and 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.

(3) Code Provision A.4.2

Code provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment.

Mr. Li Shujie and Mr. Zhang Ruibin were appointed on 24th July, 2014 but were not offered for re-election at the extraordinary general meeting of the Company held on 19th January, 2015. They shall retire at the 2015 AGM and, being eligible, offer themselves for re-election at the 2015 AGM.

Further information on the Company's corporate governance practices during the year under review will be set out in the Corporate Governance Report to be contained in the Company's 2014 Annual Report which will be sent to the Shareholders around the middle of April 2015.

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, 2014.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31st December, 2014 as set out in the preliminary announcement have been agreed by the Group's auditor, Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by 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 Deloitte Touche Tohmatsu on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31st December, 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

PUBLICATION OF ANNUAL REPORT ON THE INTERNET WEBSITES OF THE STOCK EXCHANGE AND OF THE COMPANY

The 2014 Annual Report of the Company will be despatched to the shareholders of the Company and made available on the website of the Stock Exchange (http://www.hkexnews.hk) and the Company's website (http://www.alliedcement.com.hk) in due course. The audited consolidated results of the Group for the year ended 31st December, 2014 set out above does not constitute the Company's statutory financial statements but is extracted from the consolidated financial statements for the year ended 31st December, 2014 to be included in the 2014 Annual Report of the Company.

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

Hong Kong, 24th March, 2015

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