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, 2015

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, 2015 with the comparative figures for the corresponding period in 2014 are as follows. The interim financial report of the Group for the six months ended 30th June, 2015 has not been audited, but has been reviewed by the audit committee of the Company and by the auditor of the Company, Deloitte Touche Tohmatsu.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30th June, 2015

		Six months ended 30th June,	
		2015	2014
		Unaudited	Unaudited
	Notes	***HK$'000***	*HK$'000*
Revenue	*(4)*	**259,189**	364,067
Cost of sales		**(238,856)**	(320,384)
Gross profit		**20,333**	43,683
Other income	*(5)*	**26,388**	2,094
Net foreign exchange loss		**(895)**	(1,298)
Fair value gains on financial assets at fair value through profit or loss		–	4,515
Interest income on other principal protected deposits		**5,937**	7,831
Distribution and selling expenses		**(2,811)**	(3,108)
Administrative expenses		**(30,743)**	(20,996)
Finance costs		**(10,796)**	(2,870)
Profit before taxation		**7,413**	29,851
Taxation	*(6)*	**(4,333)**	(9,106)
Profit and total comprehensive income for the period	*(7)*	**3,080**	20,745

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Cont'd)*

for the six months ended 30th June, 2015

	Notes	Six months ended 30th June, 2015 Unaudited HK$'000	2014 Unaudited HK$'000
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**(3,614)**	15,214
Non-controlling interests		**6,694**	5,531
		3,080	20,745
		HK cents	*HK cents* (Restated)
(Loss) earnings per share	*(8)*		
Basic		**(0.07)**	0.46

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30th June, 2015

	Notes	At 30th June, 2015 Unaudited HK$'000	At 31st December, 2014 Audited HK$'000
Non-current assets			
Property, plant and equipment		**414,182**	422,100
Deposits for equipment and machineries		**86,418**	86,418
Prepaid lease payments on land use rights		**7,181**	7,279
Mining right		**9,729**	9,870
		517,510	525,667
Current assets			
Properties held for sale		**2,448**	2,448
Inventories		**40,330**	40,089
Trade and bills receivables	*(10)*	**320,556**	307,323
Other receivables, deposits and prepayments		**40,352**	62,146
Loans receivable		**213,508**	7,605
Financial assets at fair value through profit or loss		**29,080**	–
Other principal protected deposits		**246,013**	240,349
Prepaid lease payments on land use rights		**198**	198
Amount due from a related party		**167,317**	167,344
Pledged short-term bank deposits		**668,948**	21,697
Time deposits		–	25,317
Bank balances and cash		**790,419**	1,026,591
		2,519,169	1,901,107
Current liabilities			
Trade and bills payables	*(11)*	**82,441**	100,611
Other payables and deposits received		**34,351**	49,064
Amount due to a related party		**69**	69
Tax liabilities		**91,202**	97,947
Bank and other borrowings due within one year		**1,087,844**	257,554
		1,295,907	505,245
Net current assets		**1,223,262**	1,395,862
Total assets less current liabilities		**1,740,772**	1,921,529

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Cont'd)*
at 30th June, 2015

	At 30th June, 2015 Unaudited *HK$'000*	At 31st December, 2014 Audited *HK$'000*
Capital and reserves		
Share capital	**9,900**	9,900
Share premium and reserves	**1,271,177**	1,274,791
Equity attributable to owners of the Company	**1,281,077**	1,284,691
Non-controlling interests	**435,752**	429,058
Total equity	**1,716,829**	1,713,749
Non-current liabilities		
Bank and other borrowings due after one year	–	185,000
Deferred taxation	**23,943**	22,780
	23,943	207,780
	1,740,772	1,921,529

Notes:

(1) Review by auditor

The interim financial report of the Group for the six months ended 30th June, 2015 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 ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") 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, 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2014.

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

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

The application of the above amendments to 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,	
	2015	2014
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Manufacture and sales and trading of:		
Cement	**259,059**	357,234
Clinker	**130**	6,833
	259,189	364,067

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,	
	2015	2014
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Interest income from banks	**2,703**	216
Interest income from loans receivable	**605**	1,005
Interest income from a non-controlling shareholder of the Group's subsidiary	**4,187**	342
Government subsidy – value added tax refund	**4,413**	–
Other subsidy income	**12,674**	–
Sundry income	**1,806**	531
	26,388	2,094

(6) Taxation

	Six months ended 30th June,	
	2015	2014
	Unaudited	Unaudited
	HK$'000	*HK$'000*
The (charge) credit comprises:		
Current tax		
– The People's Republic of China ("PRC") Enterprise Income Tax	**(2,711)**	(19,219)
(Under) over provision in prior years		
– PRC Enterprise Income Tax	**(459)**	1,127
Deferred tax	**(1,163)**	8,986
	(4,333)	(9,106)

(7) Profit for the period

	Six months ended 30th June,	
	2015	2014
	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)	**141**	96
Depreciation of property, plant and equipment	**11,457**	10,814
Total amortisation and depreciation	**11,598**	10,910
Cost of inventories recognised as expenses	**238,856**	320,384
Release of prepaid lease payments on land use rights	**98**	98
Net gain on disposal and write-off of property, plant and equipment	**(61)**	–
Operating lease rentals in respect of premises	**469**	457

(8) (Loss) earnings per share

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

	Six months ended 30th June,	
	2015	2014
	Unaudited	Unaudited
	HK$'000	*HK$'000*
(Loss) earnings		
(Loss) earnings for the purpose of basic (loss) earnings per share ((loss) profit for the period attributable to owners of the Company)	**(3,614)**	15,214

	Six months ended 30th June,	
	2015	2014
	Unaudited	Unaudited
	Shares	*Shares*
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**4,950,000,000**	3,300,000,000

No diluted (loss) 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.

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the six months ended 30th June, 2014 has been adjusted for the effects of the subdivision of the Company's ordinary shares in January 2015. The adjustment has been reflected retrospectively by restating the opening weighted average number of ordinary shares at 1st January, 2014.

(9) Dividend

The Board does not recommend the payment of an interim dividend (2014: Nil).

No dividend was declared or paid by the Company during the current period (2014: Nil).

(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, 2015 Unaudited	At 31st December, 2014 Audited
	HK$'000	*HK$'000*
0 to 90 days	**126,239**	195,380
91 to 180 days	**95,366**	66,456
181 to 365 days	**73,545**	32,932
Over 1 year	**25,406**	12,555
	320,556	307,323

(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, 2015 Unaudited	At 31st December, 2014 Audited
	HK$'000	*HK$'000*
0 to 90 days	**74,462**	68,905
91 to 180 days	**2,323**	26,586
181 to 365 days	**1,352**	1,280
Over 1 year	**4,304**	3,840
	82,441	100,611

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The revenue of the Group for the six months ended 30th June, 2015 was HK$259.2 million (2014: HK$364.1 million), representing a decrease of 28.8% as compared to the same period of last year. The profit for the period of the Group was HK$3.1 million (2014: HK$20.7 million). The basic loss per share amounted to HK0.07 cents (2014: basic earnings per share HK0.46 cents (Restated)).

The profit of the Group for the six months ended 30th June, 2015 recorded a significant decline as compared to the same period of last year. Such significant decline was primarily attributable to: (i) a slowdown in national investment in fixed assets in the PRC, resulting in a decrease in the demand for cement, and thus a decline in the average selling prices and sales volume of the Group's cement products as compared to the same period of last year; (ii) an increase in administrative expenses; and (iii) an increase in finance costs incurred in connection with additional bank and other borrowings drawn by the Group in the second half of 2014 in support of the business expansion of the Group.

For the six months ended 30th June, 2015, the administrative expenses of the Group amounted to approximately HK$30.7 million (2014: HK$21.0 million), representing an increase of 46.4% as compared to the same period of last year. This was mainly due to the increase in legal and professional fees incurred in the exploration of new investment opportunities.

Business Review

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

The Group's cement and clinker sales volume amounted to 987,000 tons (2014: 1,110,000 tons) for the six months ended 30th June, 2015, decreased by 11.1% as compared to the same period of last year.

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

   For the six months ended 30th June, 2015, cement distributed by Shanghai SAC amounted to 408,000 tons (2014: 461,000 tons), decreased by 11.5% from the same period of last year. Gross profit earned amounted to HK$9.9 million (2014: HK$10.8 million), representing a decrease of 8.3% from the same period of last year. During the period, Shanghai SAC continued to invest part of its net proceeds from the compensation of relocation into wealth management products. Through such treasury management, Shanghai SAC recorded fair value gains and interest income on financial assets of HK$2.4 million (2014: HK$12.7 million).

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

For the six months ended 30th June, 2015, Allied Wangchao's cement sales volume amounted to 578,000 tons (2014: 617,000 tons), decreased by 6.3% as compared to the same period of last year. Gross profit amounted to HK$10.4 million (2014: HK$34.1 million), representing a decrease of 69.5% from the same period of last year. Clinker production was 377,000 tons (2014: 444,000 tons), representing a 15.1% decrease from the same period of last year.

Profit before taxation of Allied Wangchao in the first half of 2015 decreased substantially as compared to the same period of last year. This was mainly attributable to the significant fall in the selling price of products. For example, as compared with the same period of last year, the average selling price per ton of grade 42.5 cement fell by 19.6% while the average production cost of cement of the same grade decreased by 10.4% only. The drop in selling price exceeded the decrease in production cost, causing Allied Wangchao to suffer a decrease in gross profit.

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

Shandong SAC is actively exploring the possibility of product and technology transformation and upgrading. As there is a significant drop in slag market price, the management decided to temporarily suspend the operation of Shandong SAC in 2014 and purchase slag from other suppliers for the cement manufacturing operation.

Management is of the opinion that the plant and machinery are in good condition and the inventories are ready for further production if required. Hence there are no indicator of impairment as a result of the temporary suspension of operation.

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

Bailonggang Project is located at Heqing Town, Pudong New Area, Shanghai. Major constructions included two new dry process cement production lines, each with a capacity of 4,000 tons per day for the synergetic handling of urban sludge and wastes, ancillary construction of two pure low-temperature waste heat power stations, each with a capacity of 7.5MW, and a dock with annual throughput of approximately 8 million tons. This project is a resource-saving and environment-friendly green environmental project. It absorbs various wastage through cement rotary kiln to enable them to become harmless, have the volume reduced and turn into resources. Upon commencement of operation, Bailonggang Project will provide partial solution to the ecological problem faced by the mega city of Shanghai through reasonable disposal and use of household and industrial waste of the city. It will also set an example for the transformation and upgrading of the cement industry.

The project obtained the approval letter issued by Shanghai Municipal Development and Reform Commission on 26th January, 2014. Currently, the project is conducting land retention and acquisition alongside with the 浦東新區土地儲備中心 (Pudong New Area Land Reserve Center*).

Financial Review

Liquidity and Financing

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 six months ended 30th June, 2015, the Group has early redeemed the Hong Kong dollars ("HK$") denominated unsecured loan notes with aggregate principal amount of HK$185.0 million with the Group's internal funds and additional bank loan.

As at 30th June, 2015, the Group maintained bank balances and cash reserves of approximately HK$1,459.3 million (31st December, 2014: HK$1,073.6 million), including bank balances and cash of approximately HK$790.4 million (31st December, 2014: HK$1,026.6 million) and pledged short-term bank deposits of approximately HK$668.9 million (31st December, 2014: HK$21.7 million). There was no time deposit outstanding as at 30th June, 2015 (31st December, 2014: HK$25.3 million).

As at 30th June, 2015, the Group had outstanding borrowings of HK$1,087.8 million repayable within one year (31st December, 2014: HK$257.6 million). There was no outstanding borrowing repayable after one year (31st December, 2014: HK$185.0 million). Approximately 94.3% of the Group's outstanding borrowings were denominated in HK$ and the remainder were in Renminbi ("RMB"). Around 5.7% 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 30th June, 2015 was as follows:

	At 30th June, 2015 **Unaudited** ***HK$'000***	At 31st December, 2014 Audited *HK$'000*
Total borrowings	**1,087,844**	442,554
Total assets	**3,036,679**	2,426,774
Gearing ratio	**35.8%**	18.2%

As at 30th June, 2015, the amount due from a related party was HK$167.3 million (31st December, 2014: HK$167.3 million), which represented the provision of entrusted loans through a bank to 上海建材（集團）有限公司 (Shanghai Building Material (Group) Company Limited*) (formerly known as 上海建築材料（集團）總公司(Shanghai Building Material (Group) General Company*)) ("Shanghai Building Material") and the related interest receivable. Details of the transaction were set out in the announcement of the Company dated 22nd May, 2015.

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$145.4 million (31st December, 2014: HK$139.9 million), prepaid lease payments on land use rights with carrying amount of HK$6.4 million (31st December, 2014: HK$6.5 million), certain bills receivables with carrying amount of HK$13.4 million (31st December, 2014: Nil), certain other principal protected deposits with carrying value of HK$151.9 million (31st December, 2014: HK$151.9 million) together with short-term bank deposits of HK$668.9 million (31st December, 2014: HK$21.7 million) were pledged to secure bank loans to the extent of HK$1,039.7 million (31st December, 2014: 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$46.0 million (31st December, 2014: HK$64.1 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 Shanghai Building Material, a state-owned enterprise, for the purpose of setting up a joint venture company ("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 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 (31st December, 2014: HK$506.3 million)) will be contributed and funded by internal resources of the Group. Details of the transaction were set out in the announcements of the Company dated 15th February, 2012 and 30th January, 2014, respectively and the circular of the Company dated 16th March, 2012.

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 (31st December, 2014: 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 30th June, 2015, Shanghai SAC settled the first instalment of the total consideration under the three respective agreements in an aggregate amount of RMB68.3 million (31st December, 2014: RMB68.3 million) (equivalent to approximately HK$86.5 million (31st December, 2014: HK$86.5 million)). Details of the transaction were set out in the announcement and circular of the Company dated 3rd October, 2012 and 15th November, 2012 respectively.

Outlook

The statistics of National Bureau of Statistics of the PRC ("National Bureau of Statistics") showed that the China's manufacturing purchasing managers index of June 2015 was 50.2%, slightly lower than market expectation. The consumer price index of China in June 2015 rose by 1.4%, lower than the inflation target set by the government. China's gross domestic product for the first half of 2015 amounted to RMB29.6868 trillion, representing a year-on-year increase of 7.0% with the total investment in fixed assets of RMB23.7132 trillion, nominal growth rate of which reached 11.4% (excluding inflation, 12.5%).

According to the data published by the Bureau of Statistics of Shanghai, in the first half of 2015, the gross domestic product of Shanghai amounted to RMB1.1887 trillion, representing a 7.0% growth rate as compared to the same period of last year and in line with the national gross domestic product growth rate. The total investment in fixed assets in Shanghai amounted to RMB260.5 billion, representing a year-on-year increase of 8.4% with 4.6 percentage points increase in growth rate as compared to the same period of last year.

In terms of the production volume of cement, according to the data published by the National Bureau of Statistics, the total production volume of cement in China from January 2015 to June 2015 amounted to 1,077.14 million tons, representing a year-on-year drop of 5.3%. According to the statistics of 上海市水泥行業協會(Shanghai Cement Industrials Association*), the consumption volume of cement in Shanghai for the first half of 2015 amounted to 10.67 million tons, representing a year-on-year decrease of 1.52%.

The Trend of China Cement Industry Development in 2015

In the first half of 2015, the total production of cement in China posted a negative growth as compared to the same period of last year. This is a rare phenomenon during the three decades of reform and opening-up. The main reason lies in the continual decrease in growth rate of national fixed assets investment which retreated to 11.4% in the first half of the year, representing a decrease of 5.9 percentage points compared to the same period of last year as announced by the National Bureau of Statistics. In June, according to the statistics from the China Society of Building Materials Industry Economy, the average selling price of PO42.5 cement of key associated cement enterprise was RMB285.62 per ton, representing a decrease of RMB21.62 per ton compared to January. The average selling price of PO42.5 cement in the Eastern China region was RMB265.35 per ton, representing a decrease of RMB20.91 per ton compared to January, and was lower than the national average selling price by RMB20.27 per ton. Low cement prices and weak market demand have become the new norm. However, the external development strategy of "One Belt and One Road (一帶一路)" and the initiative to establish the Asian Infrastructure Investment Bank might resolve partially the problem of over-capacity in the country. There is still a long way to go for urbanisation and the demand for construction materials remains strong. However, due to the lack of coordination in the domestic cement industry, many enterprises still produce in full capacity despite the shrinking demand. This causes the price of cement products to drop further, which is the major problem currently faced by the cement industry in China. After operation in the first half of the year, the negative impacts of vicious competition have been fully revealed, cement enterprises realised that there is no winner in unorganised competition and hopefully they will return to a sensible approach. As long as cement enterprises act according to market forces, make reasonable production arrangements and make adequate reduction in product supply, cement prices will recover steadily. Therefore, the Group is cautiously optimistic about the cement market in the second half of 2015.

Strategic Business Development

Regarding cement production, technological reform should be strengthened to reduce consumption and increase efficiency. In the first half of 2015, Allied Wangchao implemented reform in burning by classes which has substantially reduced the consumption of coal and ammonia water for each ton of clinker and the improvement in grindability of clinkers also raised the hourly production of cement mill by 14%.

In terms of cement sales, extra attention should be given to risk control for a healthier business.

The Group will also give high priority to energy saving and eliminating emission. Allied Wangchao invested several millions of Renmibi to change the electrostatic precipitator in kiln inlet collector to bag-type precipitator and change the denitration technology, which help to reduce the electricity consumption in production process and make its emission of dust and nitrogen oxide reaching an advance level in China.

Another focus of this year will be to actively seek preferential treatment. Allied Wangchao has already submitted information according to requirements for the application of a "高新技術企業認定 (Designation of High and New Technology Enterprises*)". The Group was awarded about RMB10 million by relevant authority of Pudong New Area after its additional capital contribution in Shanghai SAC. These are the results of successful implementation of the Group's strategy and will be the highlights of the year.

Currently, Shanghai SAC and Allied Wangchao are engaged in streamlining and improving work efficiency in order to cope with the new economic norm.

In addition to pursuing its own strategies to improve the core competitiveness of the cement business, the Board has reviewed the businesses of the Group and will actively explore business and investment opportunities in the medical, pharmaceutical and health industry, such as hospital management, healthcare and elderly care services and so on, in order to enhance the Group's income and prepare for its future development.

Employees

As at 30th June, 2015, the Group had 311 (31st December, 2014: 324) employees. The Group maintains a policy of paying competitive remuneration packages and employees are also rewarded on performance related basis including salary and bonus.

SUBDIVISION OF SHARES AND CHANGE IN BOARD LOT SIZE

On 19th December, 2014, the Company announced that each of the then issued and unissued shares in the share capital of the Company of par value of HK$0.01 each be subdivided into five shares of par value of HK$0.002 each ("Share Subdivision") and the board lot size for trading on the Stock Exchange be changed from 3,000 shares of the Company to 6,000 shares of the Company ("Change in Board Lot Size"). Details of the Share Subdivision and Change in Board Lot Size were set out in the announcement and circular of the Company dated 19th December, 2014 and 31st December, 2014 respectively.

The Share Subdivision took effect after the approval of the shareholders of the Company ("Shareholders") at the extraordinary general meeting of the Company ("EGM") held on 19th January, 2015. Poll results of the EGM were set out in the announcement of the Company dated 19th January, 2015.

As a result of the Share Subdivision, the total number of securities available for issue under the share option scheme of the Company adopted on 28th April, 2011 ("Share Option Scheme") was adjusted. As at 30th June, 2015, the total number of securities available for issue under the Share Option Scheme was 330,000,000, representing approximately 6.66% of the total number of shares of the Company in issue (i.e. 4,950,000,000), as at 30th June, 2015 and the date of this announcement.

USE OF PROCEEDS FROM OPEN OFFER

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

As stated in the section headed "Reasons for the Open Offer and Use of Proceeds" in the prospectus ("Prospectus") of the Company dated 1st December, 2014 in regard to the Open Offer, it is intended that the entire amount of the net proceeds amounting to approximately HK$487.3 million from the Open Offer after deducting the relevant expenses would be applied by the Group for the funding of the development of and/or investment in pharmaceutical and health industry business. As at the date of this announcement, the Group is still in progress of exploring possible opportunities in the relevant business. The Group currently does not have any intention to change its plan for the use of proceeds as stated in the Prospectus.

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 for the six months ended 30th June, 2015 (2014: Nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30th June, 2015, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules, except for certain deviations which are summarised below:

(1) 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 the 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, 2014. 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.

(2) Code Provision A.4.2

Code provision A.4.2 of the CG Code 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 did not offer themselves for re-election at the extraordinary general meeting of the Company held on 19th January, 2015. They had retired and offered themselves for re-election at the 2015 annual general meeting of the Company held on 3rd June 2015 and were re-elected as directors thereat.

Audit Committee Review

The Audit Committee has reviewed with the management of the Company 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, 2015. 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 Hong Kong Institute of Certified Public Accountants as well as reports obtained from the management of the Company. The Audit Committee has not undertaken detailed independent audit checks.

Purchase, Sale or Redemption of Shares

During the six months ended 30th June, 2015, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

PUBLICATION OF INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND OF THE COMPANY

The interim report of the Company for the six months ended 30th June, 2015 ("2015 Interim Report") will be despatched to the Shareholders 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 2015 interim financial results set out above does not constitute the Company's statutory financial statements for the six months ended 30th June, 2015 but is extracted from the financial statements for the six months ended 30th June, 2015 to be included in the 2015 Interim Report.

By Order of the Board
Allied Cement Holdings Limited
Huang Yu
Chairman

Hong Kong, 14th August, 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.

* *For identification purposes only*