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 2015

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 2015 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31st December 2015

	Notes	**2015** *HK$'000*	2014 *HK$'000*
Revenue	*(3)*	**465,739**	733,125
Cost of sales		**(441,537)**	(663,039)
Gross profit		**24,202**	70,086
Other income	*(4)*	**44,872**	28,737
Net foreign exchange loss		**(2,418)**	(1,329)
Fair value (losses) gains on financial assets at fair value through profit or loss		**(898)**	4,574
Interest income on other principal protected deposits		**10,749**	13,938
Distribution and selling expenses		**(5,655)**	(6,423)
Administrative expenses		**(60,842)**	(47,152)
Allowance for bad and doubtful debts		**(18,274)**	(1,530)
Finance costs		**(18,721)**	(14,794)
(Loss) profit before taxation		**(26,985)**	46,107
Taxation	*(5)*	**(2,829)**	(18,083)
(Loss) profit for the year	*(6)*	**(29,814)**	28,024
Other comprehensive income:			
Item that will not be reclassified subsequently to profit or loss:			
Exchange difference arising on translation to presentation currency		**(65,544)**	—
Total comprehensive (expense) income for the year		**(95,358)**	28,024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Cont'd)*
for the year ended 31st December 2015

	Notes	2015 HK$'000	2014 HK$'000
(Loss) profit for the year attributable to:			
Owners of the Company		**(34,237)**	17,280
Non-controlling interests		**4,423**	10,744
		(29,814)	28,024
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(77,032)**	17,280
Non-controlling interests		**(18,326)**	10,744
		(95,358)	28,024
		HK cents	*HK cents*
(Loss) earnings per share	*(7)*		
Basic		**(0.69)**	0.43

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31st December 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment		**380,880**	422,100
Deposits for equipment and machineries		**81,565**	86,418
Prepaid lease payments on land use rights		**6,685**	7,279
Mining right		**9,050**	9,870
		478,180	525,667
Current assets			
Properties held for sale		**2,310**	2,448
Inventories		**34,330**	40,089
Trade and bills receivables	(9)	**295,440**	307,323
Other receivables, deposits and prepayments		**51,142**	62,146
Loans receivable		**—**	7,605
Financial assets at fair value through profit or loss		**82,227**	—
Other principal protected deposits		**205,327**	240,349
Prepaid lease payments on land use rights		**187**	198
Amounts due from a related party		**157,937**	167,344
Pledged short-term bank deposits		**424,912**	21,697
Time deposits		**200,636**	25,317
Bank balances and cash		**697,297**	1,026,591
		2,151,745	1,901,107
Current liabilities			
Trade and bills payables	(10)	**103,997**	100,611
Other payables and deposits received		**32,093**	49,064
Amounts due to a related party		**2,137**	69
Tax liabilities		**86,425**	97,947
Bank and other borrowings due within one year		**777,456**	257,554
		1,002,108	505,245
Net current assets		**1,149,637**	1,395,862
Total assets less current liabilities		**1,627,817**	1,921,529

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Cont'd)*

at 31st December 2015

	2015	2014
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**9,900**	9,900
Share premium and reserves	**1,197,759**	1,274,791
Equity attributable to owners of the Company	**1,207,659**	1,284,691
Non-controlling interests	**400,946**	429,058
Total equity	**1,608,605**	1,713,749
Non-current liabilities		
Bank and other borrowings due after one year	**—**	185,000
Deferred taxation	**19,212**	22,780
	19,212	207,780
	1,627,817	1,921,529

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.

(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 amendments to HKFRSs issued by the HKICPA for the first time in the current year.

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 amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or 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 HKFRSs 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[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]

1 Effective for annual periods beginning on or after 1st January 2018
2 Effective for first annual HKFRS financial statements beginning on or after 1st January 2016
3 Effective for annual periods beginning on or after 1st January 2016
4 Effective for annual periods beginning on or after a date to be determined

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 required to be 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 that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally 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 attributable to a financial liability's 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 is 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 mechanisms currently available in HKAS 39. Under HKFRS 9, 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 retrospective quantitative effectiveness test has been removed. 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. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Annual Improvements to HKFRSs 2012–2014 Cycle

The Annual Improvements to HKFRSs 2012–2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or a disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in HKFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to HKAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high qualify corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The Directors do not anticipate that the application of these amendments will have a material effect on the results and the financial position of the Group.

For other new and revised HKFRSs, 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:

	2015	2014
	HK$'000	*HK$'000*
Manufacture and sales and trading of:		
Cement	**444,494**	721,048
Clinker	**21,245**	12,077
	465,739	733,125

Information about major customers

For the year ended 31st December 2015, revenue from a customer amounting to HK$52,336,000 (2014: HK$84,713,000) individually represented more than 10% of the Group's revenue.

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 non-current assets are principally located in the PRC by location of assets, no geographical segment information is presented.

(4) Other income

	2015	2014
	HK$'000	*HK$'000*
Interest income from banks	**6,607**	657
Interest income from loans receivable	**1,317**	1,652
Interest income from a non-controlling shareholder of the Group's subsidiary	**8,184**	4,584
Subsidy income	**23,298**	18,995
Overprovision of open offer expenses	**360**	—
Write-off of other payables and deposits received	**1,637**	—
Sundry income	**3,469**	2,849
	44,872	28,737

(5) Taxation

	2015	2014
	HK$'000	*HK$'000*
The (charge) credit comprises:		
Current tax		
— PRC Enterprise Income Tax	**(4,766)**	(27,026)
— Hong Kong Profits Tax	**(19)**	(19)
	(4,785)	(27,045)
(Under) over provision in prior years		
— PRC Enterprise Income Tax	**(439)**	1,136
Deferred tax	**2,395**	7,826
	(2,829)	(18,083)

The PRC Enterprise Income Tax is calculated at the rates applicable to respective subsidiaries. According to the PRC tax laws and regulations, a subsidiary established in the PRC, which was recognised as the High and New Technology Enterprise in Shandong Province, is entitled to enjoy the preferential tax rate at 15% since 2015. The applicable tax rate for other subsidiaries established in the PRC is 25% for the year (2014: 25%). The PRC Enterprise Income Tax for a subsidiary incorporated in Hong Kong is calculated at the withholding tax rate prevailing in the PRC on the interest income from lendings to a PRC subsidiary.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

(6) (Loss) profit for the year

	2015	2014
	HK$'000	*HK$'000*
(Loss) profit for the year has been arrived at after charging:		
Amortisation of mining right (included in administrative expenses)	**278**	230
Depreciation of property, plant and equipment	**22,888**	21,759
Total amortisation and depreciation	**23,166**	21,989
Cost of inventories recognised as expenses	**435,852**	663,039
Loss on write-off of inventories (included in cost of sales)	**5,685**	—
Release of prepaid lease payments on land use rights	**195**	198
Net loss on disposal and write-off of property, plant and equipment	**1,697**	524
Operating lease rentals in respect of premises	**1,161**	1,075

(7) (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:

	2015	2014
	HK$'000	*HK$'000*
(Loss) earnings		
(Loss) earnings for the purpose of basic (loss) earnings per share ((loss) profit for the year attributable to owners of the Company)	**(34,237)**	17,280
	Shares	*Shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**4,950,000,000**	3,999,617,086

The weighted average number of ordinary shares for the purpose of basic (loss) earnings per share has been determined on the basis that the ordinary shares of the Company have been in issue and adjusted for the effect of the subdivision of the ordinary shares in January 2015.

No diluted (loss) 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.

(8) Dividend

The Board does not recommend the payment of a final dividend for the year ended 31st December 2015 (2014: Nil).

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

(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:

	2015	2014
	HK$'000	*HK$'000*
0 to 90 days	**161,123**	195,380
91 to 180 days	**59,782**	66,456
181 to 365 days	**47,388**	32,932
Over 1 year	**27,147**	12,555
	295,440	307,323

(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:

	2015	2014
	HK$'000	*HK$'000*
0 to 90 days	**60,043**	68,905
91 to 180 days	**20,300**	26,586
181 to 365 days	**20,324**	1,280
Over 1 year	**3,330**	3,840
	103,997	100,611

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The revenue of the Group for the year ended 31st December 2015 was HK$465.7 million (2014: HK$733.1 million), representing a decrease of 36.5% compared to the previous year. The loss for the year of the Group was HK$29.8 million, as compared to a profit of HK$28.0 million in 2014. The basic loss per share amounted to HK0.69 cents (2014: basic earnings per share HK0.43 cents).

The Group recorded a significant loss for the year ended 31st December 2015 as compared to the net profit for the year ended 31st December 2014. Such loss was primarily attributable to: (i) a decline in the sales volume and average selling prices of the Group's cement products as compared to the previous year; (ii) an increase in allowance for bad and doubtful debts; and (iii) an increase in administrative expenses.

The sales volume and average selling prices of the Group's cement products declined as compared to the previous year, mainly due to the economic growth of the PRC hit the record trough since 1990 in 2015. Continued sluggish investment in fixed asset led to a diminishing demand for cement product. Under the environment of over supply and inadequate market demand, certain cement industry peers in the PRC strived to grasp market share by continued reduction of their sales prices of cement, resulting in continued drop in market price and stressed profitability of corporates. The gross profit of the Group for the year ended 31st December 2015 was HK$24.2 million (2014: HK$70.1 million), representing a decrease of 65.5% compared to the previous year. The gross margin was 5.2%, representing a decrease of 4.4 percentage points from 9.6% for the previous year.

The allowance for bad and doubtful debts was increased as a result of the uncertainty in the recoverability of certain receivables relating to the Group's Shanghai operations.

For the year ended 31st December 2015, the administrative expenses of the Group amounted to approximately HK$60.8 million (2014: HK$47.2 million), representing an increase of 28.8% as compared to the previous year. This was mainly due to (i) an increase in legal and professional fees incurred in the exploration of new investment opportunities; (ii) an increase in salaries included in administrative expenses; (iii) an increase in charitable donations; and (iv) an increase in net loss on disposal and write-off of property, plant and equipment.

Business Review

Macro Environment of Cement Industry in 2015

In 2015, the global economy was characterised by low growth, imbalance, high volatility, multiple risks and bumpy recovery. The growth of the PRC's economy continued to slow down, facing unprecedented difficulties and challenges. In view of the above general picture of the PRC's economic operation, the Chinese government has adopted a series of policies to stabilise growth, facilitate reforms, optimise structure, improve citizen's living standard and avoid risks, which impeded the occurrence of huge fluctuation in its economy.

According to the statistics of National Bureau of statistics of the PRC, the production volume of cement of nationwide scale or above across the PRC in 2015 amounted to 2,347.96 million tons, representing a year-on-year decrease of 4.9%. According to the statistics from the website of Digital Cement (www.dcement.com), the cement industry in the PRC recorded a year-on-year decrease of 58% in total profit to RMB32.97 billion, which was barely half of that in the prior year and even fell below the profitability level over the past 7 years. As at the end of 2015, cement price index (CEMPI) of China closed at 79.25 representing a cumulative decline of 20.59% for the whole year of 2015, and a further decrease from 99.8 of CEMPI at the end of 2014. Such data revealed the fact that the entire industry was encountering unprecedented predicament.

Business operation of the Group

During the year ended 31st December 2015, 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 2,002,000 tons (2014: 2,424,000 tons) during the year, representing a decrease of 17.4% as compared to the previous year.

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

   In 2015, cement distributed by Shanghai SAC amounted to 805,000 tons (2014: 1,039,000 tons), decreased by 22.5% from the previous year. Gross profit generated was HK$19.1 million (2014: HK$25.2 million), representing a decrease of 24.2% from the previous year. During the year, Shanghai SAC actively explored and maintained the relationship with quality customers while removing customers with potential risks to ensure the safe operation of its business. It also adopted various measures to enhance the share of sales from quality customers, and continued to make best effort to implement and improve its business management system. Shanghai SAC also continued to apply the surplus out of the idle funds in its business operation to invest cautiously into wealth management products in accordance with the Group's treasury policies and investment guidelines. Shanghai SAC recorded interest income on financial assets of HK$4.1 million in 2015 (2014: fair value gains and interest income of HK$16.6 million) through treasury management. Shanghai SAC also stepped up efforts in reducing administrative expenses, which amounted to HK$18.9 million (2014: HK$20.7 million) for the year ended 31st December 2015, representing a decrease of 8.7% from the previous year. The unsatisfactory financial performance recorded by Shanghai SAC for the year was mainly due to the accrual for allowance for bad and doubtful debts of HK$18.3 million.

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

   In 2015, Allied Wangchao's clinker production amounted to 852,000 tons (2014: 920,000 tons), while cement production was 1,083,000 tons (2014: 1,334,000 tons), decreased by 18.8% from previous year. The sales of cement and clinker amounted to 1,197,000 tons (2014: 1,373,000 tons), representing a decrease of 12.8% as compared to the previous year. Gross profit amounted to HK$10.6 million (2014: HK$46.2 million), decreased by 77.1% from previous year.

The profit before taxation of Allied Wangchao for 2015 decreased significantly as compared with the previous year, mainly attributable to the substantial fall in the selling price of its products where the average selling price per ton of grade 42.5 cement recorded a decrease of 17.6% compared to last year and the average production costs per ton decreased by 11.1% from the previous year. The excess of decrease in selling price over the decrease in production costs resulted in a decrease in gross profit. In addition, under the influence of shrinking market demand, both the production and sales volume recorded a significant decrease, which was also contributed to the remarkable decrease in the profit before taxation.

During the year, Allied Wangchao enjoyed several preferential policies and tax refund from the government, and received such payments amounting to HK$10.6 million. It continued to increase investments in technological innovation and equipment modification, which reduced consumption and enhanced product quality. Further, Allied Wangchao boosted its efficiency by headcount reduction, which enhanced the working and operating efficiency. In light of the unfavourable situation of the operating environment, it promoted sales by cash to mitigate operating risks. These measures had positive effect on stabilising the results of Allied Wangchao during the year. Moreover, Allied Wangchao was recognised as the "High and New Technology Enterprises in Shandong Province" (山東省高新技術企業), and thus enjoyed a preferential income tax rate of 15% since 2015.

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

Shandong SAC is exploring the possibility on product and technology transformation. In 2015, it resold available inventories and machinery and equipment to Allied Wangchao, and wrote off obsoleted inventories and machinery and equipment.

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

The Bailonggang Project is located at Heqing Town, Pudong New Area, Shanghai. It owns an area of 43.37 hectares and a shoreline of 450 meters. The Bailonggang Project applies new dry process cement production lines of existing advanced international standards. Major constructions included: (i) 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; (ii) ancillary construction of two pure low-temperature waste heat power stations, each with a capacity of 7.5MW for fully utilising the waste heat from cement kiln; and (iii) ancillary construction of a dock with annual throughput of approximately 8 million tons. This project is a resource-saving and environment-friendly green environmental project. It uses cement kiln for synergetic hazard-free disposal of industrial solid waste, urban sludge, domestic waste and industrial hazardous waste, achieving comprehensive utilisation of resources. An application has been filed to the relevant government authority for postponement, and is currently pending for approval.

Financial Review

Liquidity and Financing

During the year ended 31st December 2015, 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 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 31st December 2015, the Group maintained bank balances and cash reserves of approximately HK$1,322.8 million (2014: HK$1,073.6 million), including bank balances and cash of approximately HK$697.3 million (2014: HK$1,026.6 million), pledged short-term bank deposits of approximately HK$424.9 million (2014: HK$21.7 million) and time deposits of approximately HK$200.6 million (2014: HK$25.3 million).

As at 31st December 2015, the Group had outstanding borrowings of HK$777.5 million (2014: HK$257.6 million) repayable within one year. There was no outstanding borrowing repayable after one year (2014: HK$185.0 million). All of the Group's outstanding borrowings were denominated in HK$ and were charged with interest at floating rates.

The gearing ratio (total borrowings over total assets) of the Group as at 31st December 2015 was as follows:

	2015	2014
	HK$'000	*HK$'000*
Total borrowings	**777,456**	442,554
Total assets	**2,629,925**	2,426,774
Gearing ratio	**29.6%**	18.2%

As at 31st December 2015, the amounts due from a related party were HK$157.9 million (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 transactions 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 Renminbi ("RMB") and HK$. The Group closely monitors such foreign exchange exposure and will consider hedging significant currency exposure should the need arise. However, since the Group's consolidated financial statements are presented in HK$ which is different from its functional currency, being RMB, it is inevitable that the Group would face foreign exchange exposure in this respect, whether positive or negative, from translating the accounts to its presentation currency.

Pledge of Assets

At the end of the reporting period, certain of the Group's buildings and structures and plant and machinery with aggregate carrying amount of HK$133.9 million (2014: HK$139.9 million), prepaid lease payments on land use rights with carrying amount of HK$6.0 million (2014: HK$6.5 million), an other principal protected deposit with carrying value of HK$143.4 million (2014: HK$151.9 million) together with short-term bank deposits of HK$424.9 million (2014: HK$21.7 million) were pledged to secure bank loans to the extent of HK$777.5 million (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$69.2 million (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*) and the 《關於設立合資公司（原則）協議》 (Principle Agreement for the Establishment of the Joint Venture Company*) on 13th February 2012 with Shanghai Building Material, a state-owned enterprise, for the purpose of setting up a joint venture company ("JV Company") to operate and manage the Bailonggang Project 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$477.9 million (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$454.0 million (2014: HK$481.0 million)), for future use in the Bailonggang Project. The Company does not intend to retain such equipment and machineries for its own use. Up to 31st December 2015, Shanghai SAC settled the first installment of the total consideration under the three respective agreements in an aggregate amount of RMB68.3 million (2014: RMB68.3 million) (equivalent to approximately HK$81.6 million (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.

As announced by the Company on 28th January 2016, Kingwood Limited ("Purchaser"), an indirect wholly-owned subsidiary of the Company, and 深圳市華融泰資產管理有限公司 (Shenzhen Waranty Asset Management Co., Ltd.*) ("Shenzhen Waranty") entered into a sale and purchase agreement, pursuant to which the Purchaser conditionally agreed to purchase, and Shenzhen Waranty conditionally agreed to sell, an aggregate of 60% equity interest in 北京紫光製藥有限公司 (Beijing Ziguang Pharmaceutical Co., Ltd.*) ("Ziguang Pharmaceutical"), a sino-foreign joint venture enterprise established in the PRC, representing the entire interest held by Shenzhen Waranty in Ziguang Pharmaceutical, for an aggregate consideration of RMB291.2 million. The acquisition will be funded by the internal resources of the Company. The proposed acquisition is subject to the approval of the independent shareholders of the Company at an extraordinary general meeting to be held on 15th April 2016. Details of the transaction were set out in the announcement and circular of the Company dated 28th January 2016 and 22nd March 2016, respectively.

Event after the End of the Reporting Period

As announced by the Company on 28th January 2016, the Group conditionally agreed to purchase an aggregate of 60% equity interest in Ziguang Pharmaceutical for an aggregate consideration of RMB291.2 million. The details of the proposed acquisition are set out in the section headed "Material Capital Commitments and Investments".

Employees

As at 31st December 2015, the Group had 306 (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.

Corporate Social Responsibility

1. *Strengthening industry discipline and fair competition*

   Despite the PRC's cement market being caught in a downdraft in 2015, the Group did not implement deep discount policies for the purpose of boosting sales and did not adopt unethical competitive tactics for the purpose of maximising profit but devoted itself to guide and help its peers in the region in order to safeguard the market for a disciplined, orderly, robust and sustainable business environment.

2. *Focusing on environmental protection by energy saving and reduction of emission*

   The Group's major environmental policy is to comply with all environmental requirements applicable to its operations and continually improve its environmental stewardship towards industry best practice. 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 strives for a better eco-friendly construction of factory sites, upholds green development, expedites energy-saving, reduction of emission and comprehensive utilisation of resources while keeping close watch on environmental protection with green construction materials recommended so as to strike a harmonic balance between the cement industry and nature.

   Allied Wangchao has also invested more than RMB40 million 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 minimised the emissions of dust and other harmful gases correspondingly.

   Allied Wangchao also invested several millions of RMB to change the electrostatic precipitator in kiln inlet collector to bag-type precipitator and change the denitration technology, which helped to reduce the emission of dust and nitrogen oxide. The emission of nitrogen oxide was far under the emission permit value of $400mg/m^3$.

   In addition, there are environmental smoke and dust monitors inside the plant area of Allied Wangchao to monitor the emission densities and volume of pollutants from its production lines, so as to ensure the pollutant emission from such production lines complies with the environmental regulations in the PRC. Environmental authorities in the PRC also carried out regular site visits to monitor the pollutant emission of its production lines.

For the whole year of 2015, the emission densities and volume of particles, sulphur dioxides and nitrogen oxides from the production lines of Allied Wangchao, after being dedusted, fulfilled all indicators as stipulated in the 山東省建材工業大氣污染物排放標準 (Emission Standard of Air Pollutants for Building Materials Industry in Shandong Province*) (DB37/2373-2013). In addition, noises from the plant of Allied Wangchao also complied with the national standards as set out in Class II of the 工業企業廠界環境噪聲排放標準 (Emission Standard for Industrial Enterprises Noise at Boundary*) (GB/T12348-2008).

For the year ended 31st December 2015, there were no fines or prosecutions arising from environmental-related regulatory non-compliances of the Group.

3. *Providing employees with regular training with the focus on corporate culture development through both internal and external policies*

The Group provided regular training regarding production, skillsets and code of behaviour for its staff members in order to enhance their all-round quality. To facilitate communication and understanding for a better and harmonic family life for our staff members and their children, a number of seminars were held with this aim. Since the start of publication of our monthly journal "上聯之聲", our staff have been informed with a whole set of knowledge about production and technology as well as true facts of daily life. The Group also fosters communication and cooperation with colleges, universities and academic institutions in the PRC to render support to technology innovation and at the same time reduce cost and boost efficiency.

4. *Participating in charity and contributing to society*

While its business is developing and growing, the Group does not forget its commitment to social responsibility and philanthropy. In 2015, the Group donated HK$1 million and HK$70,000 to "South South Education Foundation For Sustainable Development Limited" and "Bring Me A Book Hong Kong", respectively. Over the years, Allied Wangchao also sponsored uniforms to schools on Children's day (1 June), sponsored notebooks and granted scholarship to the children of our staff members, paid visit to the elderly and poverty-stricken families of our staff living in adjacent villages during Chung Yang Festival and voluntarily repaired roads nearby. The Group had spent over HK$15 million on donation and charity work since 2008.

A Trend of Industry Development in 2016

Cement Industry

In 2016, it is expected that China will experience weaker investment sentiment, moderate growth in consumer industry, softening export and excess capacity removal, and overall macroeconomy may be exposed to downside pressure.

Currently, a clear direction is given by the PRC government for the current quagmire for the cement industry, that is, new production capacity is controlled while obsolete production capacity is eliminated and products of lower quality are removed. Moreover, the government also cut down the production on the supplier side. With the implementation of such excess capacity removal policy and market forces, market confidence will bounce back, competition will be more rational, capacity allocation will be more reasonable and cement prices are expected to regain into a better balance of higher level.

On the cost front, it is expected that the supply in coal and power market in the PRC will be sufficient in 2016. In virtue of the demand, the market price is still stably hovering in a lower level where little possibility of upsurge or plunge is inferred which is in favour of production for cement corporates.

Medical and Pharmaceutical Industry

As aforesaid, the cement industry in the PRC is facing a stern challenge. Meanwhile, along with the growing financial strength and disposable income of China, the demand for medical and health services is growing while the medical and pharmaceutical industry is booming. Invention and innovation in emerging markets is of faster pace than that in developed markets. Taking advantage of its enormous population, it is expected that the PRC will lead the development of the global medical and health industry. Healthcare consumers expect convenient healthcare experience as if in banks, retails and transportation in the future. Companies with new business model are expected to bring new ideas and skills to the global medical industry, which will fill the gap between people's expectation and the medical infrastructure in reality. Along with the growing economy in the PRC, faster ageing population, accelerating urbanisation, rapid rise of citizen consumption and the policies for the new medical reform, it is expected that the spending power will increase and the medical service industry in the PRC will prosper in the 5 to 10 years ahead.

Strategic Business Development

Cement Business

Regarding cement business, based on the philosophy of innovation, the Group forges ahead with innovation in terms of technology, management and industry to augment its technology foundation and turns its edge to compete in the market. The Group also continues to put more effort in technology innovation and revamp to boost productivity while avoiding wastes to turn out products with better quality. China has stepped into an era where development is a new normal, we will gear up to change so as to embrace and adapt to the new normal.

Medical, Pharmaceutical and Health Industry Business

In parallel, in light of the window of opportunity of development of the medical and pharmaceutical industries in the PRC, the Board is actively exploring medical, pharmaceutical and health industry business and other investment opportunities, such as hospital management, healthcare and elderly care services, in order to enhance its income and profitability and prepare for the Group's future development.

The Company has established a wholly-owned subsidiary, 北京華控康泰醫療健康管理有限公司 (Beijing Huakong Kangtai Healthcare Management Co., Ltd*) ("Huakong Kangtai"), in the PRC and injected a capital of approximately RMB60 million into Huakong Kangtai for the purpose of investment in and operation of healthcare businesses in the future. Huakong Kangtai currently has eight staff members, including a senior executive who has served in major pharmaceutical enterprises in the aspects of investment and asset management and is experienced in mergers and acquisitions of hospital and healthcare businesses, and a medical doctor who is a professor of medical school and is experienced in the management and operation of medical institutions.

As announced by the Company on 28th January 2016, the Group conditionally agreed to purchase an aggregate of 60% equity interest in Ziguang Pharmaceutical, which is principally engaged in the manufacturing and sales of prescription drugs, including chemical drugs and traditional prescribed Chinese medicines through its subsidiaries.

Ziguang Pharmaceutical and its subsidiaries were granted with permits and licenses to manufacture pharmaceutical products in thirteen dosage forms, namely, tablets, powders for injection, gel, cream, patches, pills, granules, capsules, syrups, oral solution, tinctures, mixtures and vinum, all of which are currently being manufactured by them. The Board is of opinion that the acquisition of Ziguang Pharmaceutical is valuable investment opportunity and will raise the Group's profile in the medical, pharmaceutical and health industry, and also create new revenue streams for the Group and further enhance Shareholders' value.

同方股份有限公司 (Tsinghua Tongfang Co., Ltd.*) ("Tsinghua Tongfang") holds the equity interest of Shenzhen Waranty as to 48% through its wholly-owned subsidiary. Shenzhen Waranty holds the entire equity interest of China Health Management Investment Limited ("China Health") which is the controlling shareholder of the Company.

清華控股有限公司 (Tsinghua Holding Co., Ltd.*) ("Tsinghua Holdings") holds 25.42% of the shareholding of Tsinghua Tongfang. Tsinghua Holdings is a wholly-owned subsidiary of Tsinghua University. Tsinghua University is a renowned university in the PRC with strong capabilities in scientific research and educational resources, including the medical and pharmaceutical disciplines. In particular, Tsinghua University has four hospitals and a medical school in the PRC. Tsinghua Tongfang's group is principally engaged in the businesses of information, security and energy-saving technology, as well as development of science parks. Tsinghua Tongfang would take advantage of Tsinghua University's strengths and resources in medical and pharmaceutical research, and implement strategies in terms of the industrial development, assets integration and investments in medical, healthcare and pharmaceutical businesses. The Group will benefit from the synergies created among Tsinghua Tongfang and Tsinghua University through the development path of interaction between "enterprise, education and scientific research".

Looking forward, the Group will continue to explore business and investment opportunities in the medical, pharmaceutical and health industry in stages with an aim to build up its influence and branding in the industry. The focus of the Group will be placed on the philosophy of "regional medical services, centralised management and commercialised operation" as its core development. Combining its existing strengths with the pharmaceutical and medical services, the Group will develop a full-fledged synergic model. Overall, the Group aims to develop into a magnificent medical-and-health-oriented enterprise, which is the vision of the Group for its future development.

OUTLOOK

Apart from the ending year of the China's Twelfth Five-Year Plan, 2015 was the same year filled with daunting challenges of over-capacity in the cement industry during its transformation and upgrading. The "Golden Era" of the rapid growth in cement industry has come to an end and inevitably, the industry needs to strive to overcome the struggles arising from the industrial transformation.

In 2016, cement industry will primarily incline to the strategy of "suspending additional production capacity and reducing over-capacity". However, in the supply side, the result of reducing over-capacity is not expected in the short-run with the outstanding imbalance between supply and demand, which the industry situation will remain much challenging.

While the cement industry in Mainland China faces challenges and threats, the pharmaceutical industry in the PRC is rapidly growing and is supported by a number of socioeconomic factors, such as China's economic growth and increase in disposable income, population growth and increased life expectancy, rising health consciousness and the active support from the PRC government. According to the Thirteenth Five-Year Plan for National Economic and Social Development of the PRC (中華人民共和國國民經濟和社會發展第十三個五年規劃), the improvement of medical resources in China, including the development of pharmaceutical industry, is one of the key policy directions for China in the next five years. Furthermore, the pharmaceutical industry in PRC may also benefit from the policy directions regarding improvement of the public health and medical insurance system. The PRC government has also initiated scientific research projects on the prevention and control of major diseases with increasing financial support. It is also expected that the above efforts in reforming the PRC drug appraisal and approval system will potentially encourage the development and sales of pharmaceutical products in the market.

Looking ahead, the Group will launch a diversified strategy. Apart from promoting its current strategies to improve the core competitiveness of the existing businesses, the Group will vigorously expand in the medical, pharmaceutical and healthcare businesses. The Group will also actively identity other development opportunities and acquisition targets in the medical, pharmaceutical and health industry that are in line with the Group's business strategies and can enlarge the Group's revenue stream in order to enhance shareholders' value. Overall, the Group aims to develop into a magnificent medical-and-health-oriented enterprise, which is the vision of the Group for its future development.

DIVIDEND

The Board has resolved not to recommend any final dividend for the year ended 31st December 2015 (2014: Nil).

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting ("2016 AGM") is scheduled to be held on Friday, 3rd June 2016. For determining the entitlement to attend and vote at the 2016 AGM, the register of members of the Company will be closed on Thursday, 2nd June 2016 and Friday, 3rd June 2016, 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 2016 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 Wednesday, 1st June 2016.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company had 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 during the year ended 31st December 2015, except for certain deviations as summarised below.

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 on 20th December 2011 were 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 on 20th December 2011 and amended on 23rd March 2012 were 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 Company's interim report for the six months ended 30th June 2015.

During the year under review, the Board had reviewed and amended the terms of reference of each of the Remuneration Committee and the Audit Committee with a view to attain a higher standard of corporate governance. The Company has complied with all the applicable code provisions of the CG Code after such amendments have been made on 17th September 2015.

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 annual report for the year ended 31st December 2015 ("2015 Annual Report") which will be sent to the Shareholders in April 2016.

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 2015.

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 2015 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 2015, 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 WEBSITES OF THE STOCK EXCHANGE AND OF THE COMPANY

The 2015 Annual Report of the Company 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 audited consolidated results of the Group for the year ended 31st December 2015 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 2015 to be included in the 2015 Annual Report of the Company.

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

Hong Kong, 30th March 2016

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. Zhang Junxi Jack.

* *For identification purposes only*