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 2011

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, 2011 are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31st December, 2011

	Notes	**2011** *HK$'000*	2010 *HK$'000*
Revenue	*(3)*	**725,298**	451,444
Cost of sales		**(613,453)**	(399,596)
Gross profit		**111,845**	51,848
Other income	*(4)*	**16,342**	12,914
Net foreign exchange gain		**19,192**	13,146
Fair value gains on financial assets designated as at fair value through profit or loss		**12,429**	5,538
Interest income on other structured deposits		**3,943**	–
Gain on land resumption exercise	*(5)*	**5,766**	528,396
Distribution and selling expenses		**(4,183)**	(4,529)
Administrative expenses		**(35,577)**	(17,753)
Other expenses	*(6)*	**(12,189)**	–
Reversal of bad and doubtful debts		**5,131**	292
Goodwill written off		**–**	(69,479)
Finance costs		**(4,889)**	(4,882)
Profit before taxation		**117,810**	515,491
Taxation	*(7)*	**(29,321)**	(140,976)
Profit for the year	*(8)*	**88,489**	374,515
Other comprehensive income			
Exchange difference arising on translation to presentation currency		**37,202**	19,373
Total comprehensive income for the year		**125,691**	393,888

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Cont'd)*
For the year ended 31st December, 2011

	Notes	2011 HK$'000	2010 HK$'000
Profit for the year attributable to:			
Owners of the Company		**76,158**	168,332
Non-controlling interests		**12,331**	206,183
		88,489	374,515
Total comprehensive income attributable to:			
Owners of the Company		**93,409**	176,513
Non-controlling interests		**32,282**	217,375
		125,691	393,888
		HK cents	*HK cents*
Earnings per share	*(9)*		
Basic		**21.31**	47.73

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment		**377,794**	346,526
Prepaid lease payments on land use rights		**7,679**	7,501
Mining right		**7,879**	7,686
		393,352	361,713
Current assets			
Properties held for sale		**2,387**	1,380
Inventories		**55,317**	41,143
Trade and bills receivables	*(11)*	**269,639**	191,873
Other receivables, deposits and prepayments		**40,410**	89,046
Amount due from a fellow subsidiary		**–**	47,252
Financial assets designated as at fair value through profit or loss		**351,167**	35,608
Other structured deposits		**189,225**	–
Loan receivable		**–**	60,482
Prepaid lease payments on land use rights		**193**	184
Pledged short-term bank deposits		**43,210**	45,882
Time deposits		**142,253**	282,353
Bank balances and cash		**100,596**	269,619
		1,194,397	1,064,822
Current liabilities			
Trade and bills payables	*(12)*	**79,275**	92,818
Other payables and deposit received		**60,693**	49,694
Amounts due to fellow subsidiaries		**134,322**	355,888
Amount due to ultimate holding company		**1,807**	1,807
Amounts due to related parties		**9,288**	5,113
Tax liabilities		**150,562**	142,666
Bank borrowings due within one year		**93,119**	17,647
		529,066	665,633
Net current assets		**665,331**	399,189
Total assets less current liabilities		**1,058,683**	760,902

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Cont'd)*
At 31st December, 2011

	2011	2010
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**4,950**	–
Share premium and reserves	**565,807**	250,043
Equity attributable to owners of the Company	**570,757**	250,043
Non-controlling interests	**423,262**	396,808
Total equity	**994,019**	646,851
Non-current liabilities		
Bank borrowings due after one year	**29,500**	85,582
Deferred taxation	**35,164**	28,469
	64,664	114,051
	1,058,683	760,902

Notes:

(1) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards 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, as appropriate.

The Group has applied all the standards, amendments and interpretations issued by the HKICPA, which are effective for the Group's financial year beginning 1st January, 2011.

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

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS9 and Transaction Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKAS 19 (Revised in 2011)	Employee Benefits[2]
HKAS 27 (Revised in 2011)	Separate Financial Statements[2]
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1st July, 2011.
2 Effective for annual periods beginning on or after 1st January, 2013.
3 Effective for annual periods beginning on or after 1st January, 2015.
4 Effective for annual periods beginning on or after 1st January, 2012.
5 Effective for annual periods beginning on or after 1st July, 2012.
6 Effective for annual periods beginning on or after 1st January, 2014.

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement 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. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability designated as at fair value through profit or loss attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, 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 was presented in profit or loss.

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

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

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

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK (SIC)-Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

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

These five standards are effective for annual periods beginning on or after 1st January, 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1st January, 2013. The directors of Company are in process of ascertaining the financial impact on application of these standards.

HKFRS 13 Fair Value Measurement

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

HKFRS 13 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1st January, 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

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

The amendments to HKAS 1 are effective for annual periods beginning on or after 1st July, 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

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

(3) Segment information

The Group operates in one business unit based on their products and service, and has one operating segment: manufacture and sales of cement and clinker, trading of cement and provision of technical service. 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 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 represented all revenue and profit for the year as stated in the consolidated statement of comprehensive income respectively.

Information about major products

The revenue of the major products is analysed as follows:

	2011	2010
	HK$'000	*HK$'000*
Manufacture and sales and trading of:		
Cement	**692,862**	324,902
Clinker	**32,436**	125,787
	725,298	450,689

Information about major customers

No revenue from transaction with single external customer is amounted to 10% or more of the Group's revenue for the year.

Geographical information

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

(4) Other income

	2011	2010
	HK$'000	*HK$'000*
Interest income from banks and a fellow subsidiary	**10,875**	8,273
Subsidy income	**–**	943
Interest income from loan receivable	**2,273**	2,179
Sundry income	**3,194**	1,519
	16,342	12,914

(5) Gain on land resumption exercise

On 27th November, 2009, Shanghai Allied Cement Co., Ltd. ("Shanghai SAC") entered into a land resumption compensation agreement ("Compensation Agreement") with Shanghai Municipal Government. Pursuant to the Compensation Agreement, the Group would be entitled to a total compensation of approximately HK$941,059,000 after fulfilling all the required conditions under the Compensation Agreement. During the year ended 31st December, 2010, Shanghai SAC fulfilled all the required conditions including the cancellation of land use right certificate and handover of land. Up to 31st December, 2010, Shanghai SAC had received approximately HK$882,235,000 from Shanghai Municipal Government. During the year ended 31st December, 2010, the Group recognised HK$528,396,000 as gain on this land resumption exercise.

At 31st December, 2010, Shanghai SAC had made a provision on staff compensation regarding the laying off of staff amounting to HK$90,000,000 because of such relocation of the factory by Shanghai Municipal Government. Year 2010 provision was based on the average compensation amount stated in the severance payment agreement signed with staff which was around RMB270,000 per person. In 2011, some of the staff had forfeited the severance payment and the entity no longer had the obligation to pay. Accordingly, HK$5,766,000 being compensation payable overprovided has been reversed and recognised as gain on land resumption exercise for the year ended 31st December, 2011.

(6) Other expenses

The amount represents professional fees and other expenses related to the listing of shares of the Company. Pursuant to HKAS 32 Financial Instruments: Presentation, the transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are directly attributable to the issuing of new shares. The remaining costs are recognised as an expense when incurred.

(7) Taxation

	2011	2010
	HK$'000	*HK$'000*
The (charge) credit comprises:		
PRC Enterprise Income Tax		
– Current year	**(21,721)**	(140,760)
– Underprovision in prior years	**(2,235)**	(2,801)
	(23,956)	(143,561)
Deferred tax	**(5,365)**	2,585
	(29,321)	(140,976)

The PRC Enterprise Income Tax is calculated at the rates applicable to respective subsidiaries. In accordance with the tax legislations applicable to foreign investment enterprises, Shandong Allied Wangchao Cement Limited ("Allied Wangchao") is entitled to exemption from the PRC Enterprise Income Tax for the two years commencing from the first profit-making year of operation in 2007 and thereafter, entitled to a 50% relief from the PRC Enterprise Income Tax for the following three years. Allied Wangchao can continue to entitle such tax concession according to the Law of the PRC on Enterprise Income Tax promulgated on 16th March, 2007 and the charge of PRC Enterprise Income Tax for the years ended 31st December, 2010 and 2011 has been provided for after taking these tax incentives into account. The applicable tax rate for Shanghai SAC for the years ended 31st December, 2010 and 2011 onwards is 25%. The PRC Enterprise Income Tax for Shanghai Allied Cement Holdings Limited is calculated at the withholding tax rate prevailing in the PRC on the interest income from lendings.

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong for both years.

(8) Profit for the year

	2011	2010
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Amortisation of mining right (included in administrative expenses)	**183**	175
Depreciation of property, plant and equipment	**19,083**	12,022
Total depreciation and amortisation	**19,266**	12,197
Cost of inventories recognised as an expense	**613,453**	399,176
Release of prepaid lease payments on land use rights	**188**	179
Loss on disposal and write-off of property, plant and equipment	**474**	3,194

(9) Earnings per share

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

	2011	2010
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the Company)	**76,158**	168,332
	Shares	*Shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**357,385,932**	352,707,833

The calculations of basic earnings per share for the year ended 31st December, 2010 is based on the 352,707,833 ordinary shares issued on the assumption that the corporate reorganisation have been effective on 1st January, 2010.

The calculations of basic earnings per share for the year ended 31st December, 2011 is based on the 352,707,833 ordinary shares issued on the assumption that the corporate reorganisation have been effective on 1st January, 2010 and the weighted average effect of 142,292,167 ordinary shares issued pursuant to the settlement of shareholders' loans completed on 20th December, 2011.

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

(10) Dividend

The special dividend of HK2 cents per share in respect of the financial year ended 31st December, 2011 has been proposed by the Board and is subject to approval by the shareholders of the Company at the forthcoming annual general meeting of the Company. The total amount of the proposed special dividend for the year ended 31st December, 2011 is HK$13,200,000.

(11) 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:

	2011	2010
	HK$'000	*HK$'000*
0-90 days	**176,728**	130,906
91-180 days	**72,310**	27,545
181-365 days	**20,601**	11,331
Over 1 year	**–**	22,091
	269,639	191,873

(12) 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 each reporting period is as follows:

	2011	2010
	HK$'000	*HK$'000*
0-90 days	**61,886**	82,310
91-180 days	**12,636**	6,832
181-365 days	**1,157**	521
Over 1 year	**3,596**	3,155
	79,275	92,818

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The revenue of the Group for the year ended 31st December, 2011 was HK$725.3 million (2010: HK$451.4 million), representing an increase of 60.7% compared to the previous year. The profit attributable to owners of the Company was HK$76.2 million (2010: HK$168.3 million). The basic earnings per share amounted to HK$21.31 cents (2010: HK47.73 cents).

The decrease in profit attributable to owners of the Company was mainly due to the non-recurring net gain on land resumption exercise of Shanghai Allied Cement Co., Ltd. ("Shanghai SAC") in 2010. The profit attributable to the owners of the Company from this land resumption exercise amounted to HK$128.6 million, representing the gain on land resumption exercise less taxation and non-controlling interests and the goodwill attributable to the relocated Shanghai factory written off.

Compared to the adjusted profit attributable to owners of the Company for the year ended 31st December, 2010, which excluded the net gain on land resumption exercise, amounting to approximately HK$39.7 million, the profit attributable to owners of the Company for the year ended 31st December, 2011 would represent a more than 90% increase over 2010. The increase in profit from the Company's main business was mainly attributable to (i) favourable product price; (ii) the waste heat recovery system and cement grinding system of Shandong Allied Wangchao Cement Limited ("Allied Wangchao") commencing normal operations; and (iii) Shanghai SAC successfully carrying out its new business model.

Since December 2009, due to the land resumption exercise, Shanghai SAC has ceased manufacturing business to prepare for the dismantling of the plant and equipment during the first half of 2010. The expenses incurred during that period, being mainly administrative in nature, were included in the calculation of the gain on land resumption exercise. Therefore, the administrative expenses in 2010 were significantly reduced.

For the year ended 31st December, 2011, the administrative expenses increased significantly when comparing to 2010 partly due to the aforesaid reason and also because more expenses were incurred to cope with the expansion of trading business of Shanghai SAC.

Business Review

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

Cement Business

Our cement and clinker sales amounted to 2,017,000 tons for the year ended 31st December 2011, increasing by 22.2% over the previous year. The market demand in Eastern China was buoyant during 2011. The cement price during the first half of the year continued to rally from the year before. Although market growth slowed in the second half of the year due to tightened monetary policy of the state, most cement enterprises managed to react rationally. Thus, price of cement was brought down but vicious competition was not seen in the market.

1. *Shanghai SAC*

   To facilitate the auxiliary construction projects of the World Expo, Shanghai SAC ceased operation in the end of 2009 and planned to relocate its premises to Bailonggang, Heqing Town in Pudong District, Shanghai. Given that the new project was still in preparation, Shanghai SAC changed its business model in a timely manner after careful consideration. Under the new model, Shanghai SAC purchased high quality cement and re-sold to its quality customers instead of manufacturing high quality cement for them, by which it maintained the relationship with its long-term good quality customers and its market share. This has laid a foundation for the product sales of its new project.

During the year 2011, cement sales of Shanghai SAC recorded 652,000 tons with an increase of 43.0% from the previous year, generating a gross profit of HK$12.9 million. Shanghai SAC earned fair value gains and interest income on financial assets of HK$15.8 million by investing part of the net proceeds from the relocation into wealth management products launched by banks.

Fixed asset investment in Shanghai was RMB435 billion in 2011, down 0.9% from the year before; cement consumption amounted to 21.67 million tons, decreased by 7.79% from the previous year. It is seen that even after the 2010 World Expo, fixed asset investment in Shanghai maintained at over RMB400 billion and cement consumption still reached over 20 million tons per year.

During the year, the company implemented a policy whereby employees are required to master different skills while specialising in one and maintaining their respective responsibilities. It is pleasing that we managed our business, the listing, treasury management and project development successfully with only a small number of employees.

2. *Allied Wangchao*

The clinker production volume of Allied Wangchao during 2011 amounted to 882,000 tons, representing a decrease of 12.0% as compared to the previous year. The cement production volume increased by 1,322.5% to 1,138,000 tons as compared to the previous year. Allied Wangchao generated a gross profit of HK$96.8 million. Its profit before taxation increased by 142.7% from the year before to HK$85.3 million (2010: HK$35.2 million). The Group has invested around HK$100 million in the construction of the waste heat recovery system and cement grinding system. The two systems started operations during the year and has complemented other systems of the Company and considerably enhanced the competitiveness.

On management, the Company reinforced the assessments under the overall target responsibility system by setting responsibilities for every employee, conducting comprehensive management and incentive systems, so as to foster positive attitudes, sense of ownership, and responsibilities of employees. With a view to deepening the understanding of the management and the staff towards modern enterprise management systems and developing their international perspectives, the Company attached great importance to training courses that improve the Company's overall performance.

In terms of market development, the Company continued to reinforce quality control over its products, and thus our products are widely used by major projects such as the Beijing-Shanghai High-speed Rail and our cement under the brand Titan is welcomed by users. Allied Wangchao has become one of the most important profit generating units of the Group.

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

The slag production of Shandong SAC reached 154,000 tons, generating a gross profit of HK$2.2 million. With the cement grinding system in Allied Wangchao operating normally, Shandong SAC ground and processed slag as additives in cement grinding for Allied Wangchao and the result was satisfactory.

Financial Review

Liquidity and Financing

The Group's capital expenditure, daily operations and investments are mainly funded by cash generated from its operations and loans from principal bankers and financial institutions. As at 31st December, 2011, the Group maintained bank balances and cash reserves of approximately HK$286.1 million (2010: HK$597.9 million) including pledged short-term bank deposits of approximately HK$43.2 million (2010: HK$45.9 million) and time deposits of approximately HK$142.3 million (2010: HK$282.4 million). Total borrowings amounted to approximately HK$256.9 million (2010: HK$459.1 million) of which borrowings from fellow subsidiaries amounted to approximately HK$134.3 million (2010: HK$355.9 million). At 31st December, 2011, the equity attributable to owners of the Company amounted to HK$570.8 million (2010: HK$250.0 million).

The gearing ratio (net borrowings over equity attributable to owners of the Company) of the Group was negative 5% (2010: negative 56%).

Risk of Foreign Exchange Fluctuation

The Group's operations are mainly located in the mainland China and its transactions, related working capital and borrowing are primarily denominated in Renminbi and Hong Kong Dollars. The Group closely monitors its foreign exchange exposure and will consider hedging significant currency exposure should the need arises.

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$290.9 million (2010: plant and machinery and construction in progress with aggregate carrying amount of HK$231.2 million) together with short-term bank deposit of HK$43.2 million (2010: HK$45.9 million) were pledged to secure a bank loan to the extent of HK$35.5 million (2010: HK$40 million) granted to the Group and short-term bank facilities in respect of the issuance of bills payable to suppliers amounting to HK$33.1 million (2010: HK$51.8 million).

Material Capital Commitments and Investments

As at 31st December, 2011, the Group had capital commitment in relation to the acquisition of a premise in the PRC of approximately HK$29.1 million. A deposit of approximately HK$14.5 million was paid in January 2012. The capital expenditure was planned to be funded by internal resources of the Group.

As announced on 15th February, 2012, Shanghai SAC entered into the《關於建設「白龍港項目」合作協議》(Bailonggang Project Construction Cooperation Agreement) ("Cooperation Agreement") and the《關於設立合資公司(原則)協議》(Principle Agreement for the Establishment of the joint venture company) ("JV Principle Agreement") with 上海建築材料(集團)總公司 (Shanghai Building Material (Group) General Company) ("Shanghai Building Material"), a state-owned enterprise, for the purpose of setting up the 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 within three months after the relevant government approvals for the Bailonggang Project being obtained. Upon establishment, the JV Company will be held as to 50% by Shanghai Building Material and 50% by Shanghai SAC of the Group. The 50% share of registered capital of the JV Company amounting to RMB400 million (equivalent to approximately HK$493.8million) will be contributed and funded by internal resources of the Group. Details of the transaction were set out in the announcement and circular of the Company dated 15th February, 2012 and 16th March, 2012 respectively.

Contingent Liabilities

A former constructor and material supplier of the Group has initiated legal proceeding in the PRC against subsidiaries of the Company during the year ended 31st December, 2009 in relation to a dispute over the outstanding construction and material supply costs plus compensation. The amount claimed by the former constructor and material supplier approximates HK$8.6 million. A total of approximately HK$4.3 million and HK$4.5 million were recognised as trade and other payables as at 31st December, 2010 and 2011 respectively in relation to the claim. The judgment of Zaozhuang City Intermediate People's Court was held in favour of the former constructor and material supplier. The Group had appealed in the Shandong Province High People's Court which turned down the judgment of Zaozhuang City Intermediate People's Court and ordered retrial to the case. As at 31st December, 2011, the case was still under trial by the court in the PRC and subject to further directions to be given by Zaozhuang City Intermediate People's Court. The Group has assessed the claim and obtained legal advice, and considers that the final outcome of the claim will not have material effect on the financial position of the Group.

Business Development

China produced 2.067 billion tons of cement in 2011, up 11.7% from the year before. The continuous growth of cement production and sales was mainly attributable to major projects such as the construction of government-subsidised housing, urbanisation construction and the development of Western China. In the National Committee of the Chinese People's Political Consultative Conference and National People's Congress of the PRC held recently, the GDP growth was targeted at 7.5%, which was the first time in the past 8 years that the GDP forecast was below 8%. It demonstrates that the Chinese government will focus on the change of economic growth mode and signifies that the extensive growth mode depending on large scale increase in investment may be phased out. Thus, the market demand for cement may change correspondingly, with only single digit growth for some time, which is a negative for the cement industry. However, the country needs to construct 5 million government-subsidised housing units every year, and urbanisation cannot be achieved quickly and may still take decades to complete. Over the past more than three decades, the urbanisation rate increased by about 30 percentage points, from 19.4% in 1977 to 50% in 2011. The Chinese government plans to increase such urbanisation rate to 80% by 2030. The cement industry will benefit from construction projects that help achieve the increase of another 30 percentage points. Given that the development of Chinese cement industry intertwines with the urbanisation in China, the next 2 decades should still be buoyant for cement industry (during 1997-2011, cement production in China increased from 65 million tons to 2.067 billion tons, mainly attributable to market demands resulting from large scale of urbanisation). As the government raises the threshold for entering the industry, it basically no longer approves the setting up of new cement factories and also intensively urges the elimination of the obsolete capacity. Accordingly, the cement industry can still generate satisfactory economic benefits with GDP growing at medium speed. The stable increase in demand and the flat or even zero growth of new production capacity maintains a stable market environment. As long as the large cement companies take initiatives to keep the market in order, the industry can still enjoy relative comfort for a considerably long period of time.

Since its establishment in 1993, the Group has been dedicated to realising the vision of taking the initiative in the recycling economy and keeping the enterprise vigourous as a member of the infrastructure industry. Following the relocation of Shanghai SAC, the company and Shanghai Building Material entered into the Cooperation Agreement and the JV Principle Agreement on 13th February, 2012, whereby both companies having individual strengths will participate in the construction of two new dry process cement production lines in Bailonggang, Pudong, Shanghai with a capacity of 4,000 tons per day which has a sludge treatment system, a low temperature waste heat power generation and a dock on the Yangtze River. The project utilises cross boundary technology and is set to process 530,000 tons of sludge per year. It will help the Group in upgrading our transformation to an environmental friendly building material enterprise that plays a role in solving a major long-standing environmental problem of Shanghai being an international metropolis. As the project conforms to the industrial restructuring implemented by Shanghai and is in line with the country's trend of industrial development, the Group is confident with the project, though it is still pending approval from the relevant authorities.

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

Outlook

Although the Chinese economy may slow down due to negative effects brought by the European debt crisis and the sluggish U.S. economy in 2012, the economic outlook in Mainland China is still promising as the world's economic centre is continuing the trend of shifting from the west to the east. The proactive lowering of the GDP growth forecast by the country will help improve the quality of economic growth, avoid waste and protect the environment, which can maintain the sustainability and long-term prosperity of the economic growth.

Market demand for cement is in line with GDP growth. As such, it is normal for the cement market to experience weaker performance and price declines in the first half of 2012 as compared to the same period in 2011. The market was also impacted by the increase in supply due to the commencement of operations of new production lines in areas of upper reaches of the Yangtze River and Huaihai Economic Zone which were completed around the end of 2011 and the beginning of 2012. Moreover, new construction projects declined as the country implemented the stringent property market regulations. At the same time, railway, road and airport construction projects are pending approval from the incoming government authorities after the elections of 2012. Given the above negative factors, it is normal for cement price to slip from height of 2011.

In the future, new production capacity will be limited as the country stops approving new cement projects. Infrastructure and government-subsidised housing construction are expected to continue after the elections, which will revive the cement market. As long as the large scale cement production groups can react rationally with discipline, cement price is expected to recover in the second quarter of 2012.

As one of the 60 cement enterprises supported by the government, the Group will utilise this opportunity to review the overall cost control process and enhance innovation in technology. Allied Wangchao has formed innovation teams to develop energy efficiency solutions for the raw material grinding system, cement grinding system and the rotary kiln system and has already made initial progress. Shanghai SAC which leverages on the successful experience gained from the new business model in the past two years, has significantly increased cement sales by expanding its sales network to Shenyang and Zhejiang and effectively monitored trade receivables, aiming to maximise shareholder returns.

The Group will also accelerate the development of the Bailonggang Project in Shanghai with an aim to further improve its production capacity and technology.

Employees

As at 31st December, 2011, the Group employed 377 (2010: 345) persons. The Group maintains a policy of paying competitive remuneration packages and employees are also rewarded on performance related basis including salary and bonus.

DIVIDEND

It was stated in the prospectus of the Company dated 30th December, 2011 ("Prospectus") that as at the latest practicable date prior to the printing of the Prospectus, being 22nd December, 2011, the Directors did not expect to declare any dividend for the year ended 31st December, 2011. The Directors have reviewed the financial performance and noted that the audited profit of the Group for the second half of 2011 was better than expected.

In line with other companies listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") in the cement sector having declared dividends in their latest results, the Board has recommended a special dividend of HK2 cents per share for the year ended 31st December, 2011 payable to the shareholders of the Company ("Shareholders") whose names appear on the register of members of the Company on Thursday, 31st May, 2012.

CLOSURE OF REGISTER OF MEMBERS

(1) For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company ("2012 AGM")

The 2012 AGM is scheduled to be held on Thursday, 24th May, 2012. For determining the entitlement to attend and vote at the 2012 AGM, the register of members of the Company will be closed on Wednesday, 23rd May, 2012 and Thursday, 24th May, 2012, during which period no transfer of shares of the Company will be registered. In order for a Shareholder to be eligible to attend and vote at 2012 AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 22nd May, 2012.

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

The proposed special dividend is subject to the approval by the Shareholders at the 2012 AGM. For determining the entitlement to the proposed special dividend for the year ended 31st December, 2011, the register of members of the Company will be closed on Wednesday, 30th May, 2012 and Thursday, 31st May, 2012, during which period no transfer of shares of the Company will be registered. In order for a Shareholder to qualify for the proposed special dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 29th May, 2012. Subject to approval by the Shareholders at the 2012 AGM, dividend warrants are expected to be despatched to the Shareholders by post on or around Wednesday, 13th June, 2012.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

As the Company was listed on the Stock Exchange on 18th January, 2012 ("Listing Date"), the code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange were not applicable to the Company for the year ended 31st December, 2011. Since the Listing Date, the Company has applied the principles of, and complied with, the applicable code provisions of the CG Code, except for certain deviations which are summarised below:

(1) Code Provision A.2.1

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive shall be separate and shall not be performed by the same individual.

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

In addition, the Company noted that certain rules and codes relating to corporate governance under the Listing Rules has come into force on 1st January, 2012 or will come into force on 1st April, 2012 ("New CG Codes"). In the absence of a Chairman of the Board, the Company may not be able to comply with certain provisions in the New CG Codes. As stated in the Prospectus, to comply with code provision A.2.1 and New CG Codes, the Company was identifying an appropriate candidate for the position of the Chairman of the Board. The identification process is still continuing as the Company considers that this position is a very important one and wishes to exercise due care without compromising it for a hasty decision. Accordingly, the Company is still identifying a suitable and appropriate candidate as Chairman, and will elect a Chairman as soon as practicable.

(2) Code Provisions B.1.3 and C.3.3

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

The terms of reference of the remuneration committee ("Remuneration Committee") adopted by the Company are in compliance with the code provision B.1.3 except that the Remuneration Committee shall review (as opposed to determine under the code provision) and make recommendations to the Board on the remuneration packages of the Executive Directors only and not senior management (as opposed to Executive Directors and senior management under the code provision).

The terms of reference of the audit committee ("Audit Committee") adopted by the Company are in compliance with the code provision C.3.3 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 discharged 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 are set out in the Corporate Governance Report to be contained in the Company's Annual Report for the financial year ended 31st December, 2011 ("2011 Annual Report"). The Board considers that the Remuneration Committee and the Audit Committee should continue to operate according to the terms of reference adopted by the Company. The Board will review the terms at least annually and make appropriate changes if considered necessary.

Further information on the Company's corporate governance practices will be set out in the Corporate Governance Report to be contained in the Company's 2011 Annual Report which will be sent to the Shareholders at the end of April 2012.

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, 2011.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December, 2011 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Deloitte Touche Tohmatsu on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES

Since the shares of the Company have been listed on the Stock Exchange on the Listing Date, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year ended 31st December, 2011.

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

Hong Kong, 23rd March, 2012

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