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 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2012

The board of directors ("Board") of Allied Cement Holdings Limited ("Company") announces that the unaudited consolidated results of the Company and its subsidiaries ("Group") for the six months ended 30th June, 2012 with the comparative figures for the corresponding period in 2011 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2012

		Six months ended 30th June,	
		2012	2011
		Unaudited	Audited
	Notes	***HK$'000***	*HK$'000*
Revenue	*(4)*	**344,613**	391,659
Cost of sales		**(312,724)**	(329,694)
Gross profit		**31,889**	61,965
Other income	*(5)*	**9,517**	10,854
Net foreign exchange gain		**667**	9,559
Fair value gains on financial assets designated as at fair value through profit or loss		**8,321**	4,332
Interest income on other structured deposits		**4,351**	–
Gain on land resumption exercise		**–**	5,766
Distribution and selling expenses		**(1,861)**	(1,636)
Administrative expenses		**(19,473)**	(15,015)
Other expenses		**–**	(3,606)
Reversal of bad and doubtful debts		**2,133**	16
Finance costs		**(2,794)**	(2,163)
Profit before taxation		**32,750**	70,072
Taxation	*(6)*	**(7,261)**	(16,797)
Profit for the period	*(7)*	**25,489**	53,275
Other comprehensive income			
Exchange difference arising on translation to presentation currency		**(845)**	17,086
Total comprehensive income for the period		**24,644**	70,361

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Cont'd)*
For the six months ended 30th June, 2012

		Six months ended 30th June,	
		2012	2011
		Unaudited	Audited
	Notes	***HK$'000***	*HK$'000*
Profit for the period attributable to:			
Owners of the Company		**14,697**	47,840
Non-controlling interests		**10,792**	5,435
		25,489	53,275
Total comprehensive income for the period attributable to:			
Owners of the Company		**14,300**	54,756
Non-controlling interests		**10,344**	15,605
		24,644	70,361
		HK cents	*HK cents*
Earnings per share	*(8)*		
Basic		**2.28**	13.56

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2012

	Notes	At 30th June, 2012 Unaudited *HK$'000*	At 31st December, 2011 Audited *HK$'000*
Non-current assets			
Property, plant and equipment		**404,673**	377,794
Prepaid lease payments on land use rights		**7,582**	7,679
Mining right		**7,786**	7,879
Loans receivable		**31,304**	–
		451,345	393,352
Current assets			
Properties held for sale		**2,387**	2,387
Inventories		**44,065**	55,317
Trade and bills receivables	*(10)*	**308,168**	269,639
Other receivables, deposits and prepayments		**31,865**	40,410
Financial assets designated as at fair value through profit or loss		**236,309**	351,167
Other structured deposits		**163,912**	189,225
Loans receivable		**188,583**	–
Prepaid lease payments on land use rights		**193**	193
Pledged short-term bank deposits		**148,148**	43,210
Time deposits		**–**	142,253
Bank balances and cash		**94,057**	100,596
		1,217,687	1,194,397
Current liabilities			
Trade and bills payables	*(11)*	**184,218**	79,275
Other payables and deposits received		**37,935**	60,693
Amount due to a fellow subsidiary		**–**	134,322
Amount due to ultimate holding company		**–**	1,807
Amounts due to related parties		**1,815**	9,288
Tax liabilities		**148,858**	150,562
Bank borrowings due within one year		**111,876**	93,119
		484,702	529,066
Net current assets		**732,985**	665,331
Total assets less current liabilities		**1,184,330**	1,058,683

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Cont'd)*
At 30th June, 2012

	At 30th June, 2012 Unaudited *HK$'000*	At 31st December, 2011 Audited *HK$'000*
Capital and reserves		
Share capital	**6,600**	4,950
Share premium and reserves	**722,896**	565,807
Equity attributable to owners of the Company	**729,496**	570,757
Non-controlling interests	**419,925**	423,262
Total equity	**1,149,421**	994,019
Non-current liabilities		
Bank borrowings due after one year	**–**	29,500
Deferred taxation	**34,909**	35,164
	34,909	64,664
	1,184,330	1,058,683

Notes:

(1) Review by auditor

The interim financial report of the Group for the six months ended 30th June, 2012 has been reviewed by our auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and an unmodified review conclusion has been issued.

(2) Basis of preparation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21st March, 2011 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") with effect from 18th January, 2012. The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA.

(3) Significant accounting policies

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2011.

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

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

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

(4) Segment information

	Six months ended 30th June,	
	2012	2011
	Unaudited	Audited
	HK$'000	*HK$'000*
Manufacture and sales and trading of:		
Cement	**339,117**	360,898
Clinker	**5,496**	30,761
	344,613	391,659

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. The chief operating decision maker monitors the revenue, results, assets and liabilities of its business unit as a whole based on the monthly sales reports, monthly delivery reports and monthly management accounts, and considers the segment assets and segment liabilities of the Group have included all assets and liabilities as stated in the condensed consolidated statement of financial position respectively, and considers the segment revenue and segment results of the Group have represented all revenue and profit for the period as stated in the condensed consolidated statement of comprehensive income respectively.

(5) Other income

	Six months ended 30th June,	
	2012	2011
	Unaudited	Audited
	HK$'000	*HK$'000*
Interest income from banks	**3,602**	5,328
Interest income from a fellow subsidiary	**–**	969
Interest income from loans receivable	**3,838**	404
Overprovision of listing expenses	**1,257**	–
Sundry income	**820**	4,153
	9,517	10,854

(6) Taxation

	Six months ended 30th June,	
	2012	2011
	Unaudited	Audited
	HK$'000	*HK$'000*
The (charge) credit comprises:		
The People's Republic of China ("PRC") Enterprise Income Tax		
– Current period	**(9,743)**	(12,448)
– Overprovision (underprovision) in prior years	**2,227**	(2,229)
	(7,516)	(14,677)
Deferred tax	**255**	(2,120)
	(7,261)	(16,797)

(7) Profit for the period

	Six months ended 30th June,	
	2012	2011
	Unaudited	Audited
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging:		
Amortisation of mining right (included in administrative expenses)	**93**	92
Depreciation of property, plant and equipment	**9,915**	9,393
Total depreciation and amortisation	**10,008**	9,485
Cost of inventories recognised as expense	**312,724**	329,694
Release of prepaid lease payments on land use rights	**97**	94
Loss on disposal and write-off of property, plant and equipment	**27**	221
Operating lease rentals in respect of premises	**137**	59

(8) Earnings per share

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

	Six months ended 30th June,	
	2012	2011
	Unaudited	Audited
	HK$'000	*HK$'000*
Earnings:		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**14,697**	47,840

	Six months ended 30th June,	
	2012	2011
	Unaudited	Audited
	Shares	*Shares*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**644,587,912**	352,707,833

The calculation of basic earnings per share for the six months ended 30th June, 2011 is based on the 352,707,833 ordinary shares issued on the assumption that the corporate reogranisation had been effective on 1st January, 2011.

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

(9) Dividend

The Board does not recommend the payment of an interim dividend (2011: Nil).

The Company declared and paid dividends of HK$13,200,000 (2011: Nil), representing HK2 cents per share being the special dividend of 2011, during the current period. No dividend was declared and paid in the prior period.

(10) Trade and bills receivables

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

	At 30th June, 2012	At 31st December, 2011
	Unaudited	Audited
	HK$'000	*HK$'000*
0–90 days	**218,971**	176,728
91–180 days	**46,395**	72,310
181–365 days	**41,831**	20,601
Over 1 year	**971**	–
	308,168	269,639

(11) Trade and bills payables

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

	At 30th June, 2012 Unaudited ***HK$'000***	At 31st December, 2011 Audited *HK$'000*
0–90 days	**145,264**	61,886
91–180 days	**32,639**	12,636
181–365 days	**2,552**	1,157
Over 1 year	**3,763**	3,596
	184,218	79,275

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The revenue of the Group for the six months ended 30th June, 2012 was HK$344.6 million (2011: HK$391.7 million), representing a decrease of 12.0% compared to the same period of last year. The profit attributable to owners of the Company for the period was HK$14.7 million (2011: HK$47.8 million). The basic earnings per share amounted to HK2.28 cents (2011: HK13.56 cents).

The financial performance and profits of the Group for the six months ended 30th June, 2012 showed a significant decrease as compared to the same period of last year. Despite the increase in sales volume during the period, revenue decreased due to a decline in selling prices. As compared with the first half of 2011, the overall market selling prices of cement products have significantly declined in the same period of 2012. Inevitably, the average selling prices of cement products from the Group's manufacture and sales operations in Shandong province have also been impacted.

For the six months ended 30th June, 2012, the administrative expenses increased significantly when compared to the same period of last year. It was mainly attributable to the expenses incurred in compliance with the relevant rules and regulations after the listing of the shares of the Company on the Stock Exchange on 18th January, 2012 ("Listing Date").

For the six months ended 30th June, 2011, due to the appreciation of Renminbi ("RMB"), the Group had recorded a net foreign exchange gain of HK$9.6 million. A gain of HK$17.1 million under other comprehensive income was also recorded when presenting the Group's results in Hong Kong dollar ("HK$"). The relatively stable exchange rate of RMB in 2012 has made the Group record a significant decrease in such income for the reporting period.

Business Review

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

Our cement and clinker sales amounted to 1,103,000 tons (2011: 1,016,000 tons) for the six months ended 30th June, 2012, increasing by 8.6% over the same period of last year. Despite the increase in sales volume during the period, revenue decreased due to a decline in selling prices.

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

   Cement distributed by Shanghai SAC amounted to 425,000 tons (2011: 375,000 tons), representing an increase of 13.3% over the same period of last year. During the period, Shanghai SAC continued to invest part of the net proceeds from the compensation of relocation into wealth management products launched by banks in accordance with the Group's treasury policies and investment guidelines. Through such treasury management, Shanghai SAC recorded fair value gains and interest income on financial assets of HK$15.8 million (2011: HK$4.7 million). The return from treasury management during the period was significantly higher than that of the same period of last year. For the six months ended 30th June, 2012, Shanghai SAC generated a gross profit of HK$12.3 million (2011: HK$6.0 million).

   To facilitate the auxiliary construction projects of the World Expo 2010 of Shanghai, Shanghai SAC ceased cement manufacturing in the end of 2009 and planned to relocate its premises to Bailonggang, Heqing Town in Pudong District, Shanghai. Given that the project is still under preparation, to leverage on its extensive network and business relations in the cement industry in Shanghai accumulated over the past nearly 20 years and to maintain market shares, Shanghai SAC purchased quality cement and on sold to quality customers through its sales teams and business channels. Its business activities have continuously expanded, even extending to other provinces and cities, resulting in impressive results. It has indeed been an excellent achievement considering the current lacklustre market environment, demonstrating the importance of the idea of "tackling changes in external environment with continuous internal adjustment" for the sustainable development of enterprises.

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

   During the period, Allied Wangchao had a production of clinker of 407,000 tons (2011: 445,000 tons), representing a decrease of 8.5% from the same period of last year. Cement sales amounted to 657,000 tons (2011: 215,000 tons), representing an increase of 205.6% over the same period of last year. Gross profit amounted to HK$20.1 million (2011: HK$54.1 million), representing a decrease of 62.8% from the same period of last year. The decline in the results was obviously attributable to substantial decline in product selling price. However, the operations of the cement grinding system and waste heat recovery system of Allied Wangchao have enhanced the competitiveness of Allied Wangchao.

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

   The slag production of Shandong SAC during the period reached 78,000 tons. Its products are mainly used as additives in cement grinding for Allied Wangchao.

Financial Review

Liquidity and Financing

On 18th January, 2012, 165,000,000 ordinary shares of the Company were issued by way of public offering and placing, raising gross proceeds of HK$165.0 million. On the same date, the Company's shares were listed on the Main Board of the Stock Exchange.

Except for the proceeds received from the share offering and placing, the Group's capital expenditure, daily operations and investments are mainly funded by cash generated from its operations and loans from principal bankers and financial institutions. As at 30th June, 2012, the Group maintained bank balances and cash reserves of approximately HK$242.2 million (31st December, 2011: HK$286.1 million) including pledged short-term bank deposits of approximately HK$148.1 million (31st December, 2011: including pledged short-term bank deposits of approximately HK$43.2 million and time deposits of approximately HK$142.3 million). Total borrowings amounted to approximately HK$111.9 million (31st December, 2011: HK$256.9 million of which borrowings from a fellow subsidiary amounted to approximately HK$134.3 million). As at 30th June, 2012, the equity attributable to owners of the Company amounted to HK$729.5 million (31st December, 2011: HK$570.8 million).

The gearing ratio (net borrowings over equity attributable to owners of the Company) of the Group was negative 18% (31st December, 2011: negative 5%).

The Group's outstanding borrowings will mature within 1 year. Around 2.8% of the Group's borrowings bear interest at fixed rates while the remainder is at floating rates.

Risk of Foreign Exchange Fluctuation

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

Pledge of Assets

At the end of the reporting period, certain of the Group's prepaid lease payments on land use rights, buildings and structures and plant and machinery with aggregate carrying amount of HK$96.2 million (31st December, 2011: buildings and structures and plant and machinery of HK$290.9 million) together with short-term bank deposit of HK$148.1 million (31st December, 2011: HK$43.2 million) were pledged to secure a bank loan to the extent of HK$32.5 million (31st December, 2011: HK$35.5 million) granted to the Group and short-term bank facilities in respect of the issuance of bills payable to suppliers amounting to HK$140.1 million (31st December, 2011: HK$33.1 million).

Material Capital Commitments and Investments

As announced by the Company on 15th February, 2012, Shanghai SAC entered into the 《關於建設「白龍港項目」合作協議》(Bailonggang Project Construction Cooperation Agreement) ("Cooperation Agreement") and the《關於設立合資公司(原則)協議》(Principle Agreement for the Establishment of the joint venture company) ("JV Principle Agreement") with 上海建築材料(集團)總公司 (Shanghai Building Material (Group) General Company) ("Shanghai Building Material"), a state-owned enterprise, for the purpose of setting up a 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 development of new cement production facilities at Bailonggang, Pudong, Shanghai ("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$493.8 million) will be contributed and funded by internal resources of the Group. Details of the transaction were set out in the announcement and circular of the Company dated 15th February, 2012 and 16th March, 2012 respectively.

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 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$4.5 million was recognised as trade and other payables as at 30th June, 2012 and 31st December, 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 30th June, 2012, 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 and Outlook

Total production of cement in China in the first half of 2012 amounted to 994.16 million tons, representing an increase of 5.5% over the same period of last year[1] but a significant slowdown in growth. Fixed asset investment nationwide amounted to RMB15,071.0 billion, representing an increase of 20.4% over the same period of last year[2]. Cement consumption amounted to 9.6763 million tons in Shanghai in the first half of 2012[3], representing a decline of 3.0% from the same period of last year. Fixed asset investment in Shanghai amounted to RMB206.5 billion in the first half of 2012, representing an increase of 4.5% over the same period of last year[4].

The slowdown of the growth in production in the cement industry was mainly due to the downward revision of the GDP target and the slowdown of growth in fixed asset investment in China.

However, as urbanisation still has a long way to go, and the construction of government-subsidised housing units has just started, along with the implementation of major national policies such as the development of Western China, the vitalisation of Central China, the South-North Water Transfer Project, the construction of high-speed rail, the development of water conservancy and the development of energy conservation and environmental protection, the construction of infrastructure in China is expected to at least maintain a certain scale and it is highly unlikely that fixed asset investment, which is expected to maintain a growth of over 15% in the foreseeable future, will see a significant decline.

Following the above premises, market demand for cement is expected to maintain a steady growth after the notable slowdown in the first half of the year. In addition, the recent decisions for the mainland government to promote the growth of investment, to fine tune the economy and to attach more importance to stabilise economic growth are good reasons for re-creating the market demand for cement and it is believed that slight growth in demand will continue in the second half of 2012 when compared with the first half.

As a result, the Group will closely monitor the implementation of national policies to regulate the real estate market and to facilitate moderate growth of investment, and the national policy on restructuring.

It is worth noting that Shanghai SAC has successfully switched to a trading platform. As result of the switching, for the period concerned, the gross profit per unit volume of sales managed to achieve the same level as last year. Sales volume of cement trading for Shanghai SAC has further expanded, and sales for the whole year 2012 are expected to grow by over 50% compared with last year. Growth of the contribution from cement trading to profit is expected to exceed that of sales due to the low level of fixed cost, and the implementation of such business model is of great significance for the future development of the Group's business.

1 中華人民共和國國家統計局 • (13/7/2012) "*2012年6月份全國規模以上工業生產運行情況*", <http://www.stats.gov.cn/tjfx/jdfx/t20120713_402817911.htm> [15/8/2012]

2 中華人民共和國國家統計局 • (13/7/2012) "*2012年1-6月份全國固定資產投資主要情況*", <http://www.stats.gov.cn/tjfx/jdfx/t20120713_402817922.htm> [15/8/2012]

3 上海市水泥行業協會 • (2/8/2012) "*2012年上海市水泥總用量統計圖表*", <http://www.shcement.com/hyxx_xx.asp?id=973> [15/8/2012]

4 上海市統計局 • (23/7/2012) "*1-6月本市全社會固定資產投資增長4.5%*", <http://www.stats-sh.gov.cn/sjfb/201207/245293.html> [15/8/2012]

As for Allied Wangchao and Shandong SAC, their main tasks are to achieve innovation in technology, lower costs, optimise production process and maintain a stable level of quality, so as to enhance the competitiveness of the products. In order to stimulate the profit of the Group, the management is considering implementing the following strategies in Allied Wangchao and Shandong SAC:

(1) fully utilising the production capacities, matching up the production volume with the sales volume so as to lower the per unit fixed cost;

(2) increasing the production of some grades of cement with higher profit margins, while reducing the production of others with lower margins, thereby improving overall profitability; and

(3) to increase the revenue, while the normal operating cashflow would be conservatively monitored, Allied Wangchao would adopt cement trading model as part of its business. At the same time, in order to increase sales, Allied Wangchao would seek to expand its sales network to other areas.

Due to the branding strategy of the Group used in the industry, the management has obtained a longer credit period from suppliers by bills payments and resulting in a trade and bills payable of HK$184.2 million as at 30th June, 2012. This has increased the cashflow from operating activities and provided good liquidity for the Group. In addition, in accordance with the Group's treasury policies and investment guidelines, the Group has continued to invest surplus funds into wealth management products launched by banks under proper monitoring and control of risk exposure, and recorded fair value gains and interest income on financial assets through such treasury management.

The Group and Shanghai Building Material entered into the Cooperation Agreement on 13th February, 2012 for establishing the JV Company to operate and manage the Bailonggang Project under the terms of the JV Principle Agreement, whereby they will participate in the construction of two production lines in Bailonggang with a sludge treatment system and waste treatment system in a recycling economy demonstration park. In respect of the project, the Ministry of Environmental Protection of the PRC reviewed and approved the environmental impact report on 13th January, 2012, while the Shanghai Municipal People's Government reviewed and approved the regulatory plan on 6th April, 2012. The feasibility study report for the dock project and the feasibility study report for the Bailonggang Project have also been completed. On 30th July, 2012, the site selection advice was issued by the Shanghai Pudong New Area Planning and Land Authority to the Pudong New Area Land Reserve Center. Since the start of 2012, the Shanghai Municipal Development & Reform Commission, Shanghai Municipal Commission of Economy and Information, Shanghai Municipal Bureau of Planning and Land Resources and Pudong New Area have held coordination meetings respectively, driving the preliminary work of review and approval for the project. Meanwhile, land acquisition for the use of land for the project has been initiated in the Pudong New Area. The Bailonggang Project covers an area of 43.4 hectares and a deepwater coastline of the estuary of Yangtze River of 580 metres. It is in line with the national strategy of a recycling economy and places the cement industry in the waste treatment link of the urban industrial chain, turning waste into wealth. Such significance has been well recognised by various circles of the society. The Group has assigned an elite group of talents to set up project headquarters with elites from Shanghai Building Material, which has pushed forward the project continuously. Although the project is pending approval from the National Development and Reform Commission, it conforms with the energy conservation and environmental protection policies of the state as well as the planning for urban industrial restructuring, and will play a piloting role for the development of urban recycling economy. The Group will spare its best effort in driving the project to facilitate rapid growth and progress of its businesses.

Employees

As at 30th June, 2012, the Group employed 360 (31st December, 2011: 377) persons. The Group maintains a policy of paying competitive remuneration packages and employees are also rewarded on performance related basis including salary and bonus.

INTERIM DIVIDEND

The Board considers that it is prudent to retain an appropriate level of funds to take advantage of business opportunities as and when they arise, and therefore does not intend to declare an interim dividend (2011: Nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Since the Listing Date to 30th June, 2012, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report ("CG Code") (previously known as Code on Corporate Governance Practices ("Former CG Code")) as set out in Appendix 14 of the Listing Rules, except for certain deviations which are summarised below:

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

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Further, code provisions A.2.2 and A.2.3 and the new code provisions A.2.4 to A.2.9, which come into force following the amendments made to the Former CG Code with effect from 1st April, 2012 ("CG Amendments"), stipulate the roles and responsibilities of the chairman. Also, code provision E.1.2 of the CG Code stipulates that, inter alia, the chairman of the board should attend the annual general meeting and be available to answer questions at the annual general meeting.

The Company does not at present have a Chairman of the Board. Mr. Ng Qing Hai, being the Managing Director of the Company, is responsible for the overall management of the Group as well as part of the duties of Chairman of the Board which constitutes a deviation from the code provisions A.2.1 to A.2.9 and E.1.2 of the CG Code.

As stated in the Company's Annual Report for the financial year ended 31st December, 2011 ("2011 Annual Report"), to comply with code provisions A.2.1 to A.2.9 and E.1.2 of the CG Code, the Company was identifying an appropriate candidate for the position of the Chairman of the Board. The identification process is still continuing as the Company considers that this position is very important and wishes to exercise due care without compromising its decision by making a hasty decision. Accordingly, the Company is still identifying a suitable and appropriate candidate for appointment as Chairman, and will elect a Chairman as soon as practicable.

(2) Code Provisions B.1.2 (then B.1.3 of the Former CG Code) and C.3.3

Code provisions B.1.3 and C.3.3 of the Former 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 of the Former CG Code 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). Following the CG Amendments, code provision B.1.2 of CG Code (then B.1.3 of the Former CG Code) now accommodates a model where the remuneration committee performs an advisory role as to the remuneration packages of the executive directors and senior management. Accordingly, the terms of reference of the Remuneration Committee are in compliance with the new code provision B.1.2 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 new code provision B.1.2).

The terms of reference of the audit committee ("Audit Committee") adopted by the Company are in compliance with the code provision C.3.3 of the Former 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 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. Following the CG amendments, code provision C.3.3 of the CG Code remains unchanged and the above-stated deviation in relation thereto applies.

The reasons for the above deviations were set out in the Corporate Governance Report contained in the 2011 Annual Report. The Board considers that the Remuneration Committee and the Audit Committee should continue to operate according to the relevant terms of reference as adopted by the Company. The Board will review the terms at least annually and make appropriate changes if considered necessary.

Except as stated above, following the CG Amendments, the Company has continued to comply with the applicable code provisions of the CG Code and has made some further enhancements in line with the CG Code.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the unaudited interim financial report for the six months ended 30th June, 2012. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditors in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA as well as reports obtained from management. The Audit Committee has not undertaken detailed independent audit checks.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the period from the Listing Date to 30th June, 2012.

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

Hong Kong, 15th August, 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.