SHANGHAI ALLIED CEMENT LIMITED
上海聯合水泥股份有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1060)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

The board of directors (the "Board") of Shanghai Allied Cement Limited (the "Company") announces that the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June, 2007 were as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30th June,	
		2007	2006
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Turnover	*3*	**191,081**	178,869
Cost of sales		**(174,638)**	(160,831)
Gross profit		**16,443**	18,038
Other income		**13,488**	8,369
Distribution costs		**(4,360)**	(2,908)
Administrative and other expenses		**(15,113)**	(12,489)
Allowance for bad and doubtful debts		**(2,180)**	(457)
Finance costs		**(8,284)**	(7,340)
Gain on disposal of subsidiaries		**2,330**	–
Profit before taxation		**2,324**	3,213
Taxation credit (charge)	*4*	**3,045**	(1,456)
Profit from continuing operations		**5,369**	1,757
Discontinued operation:			
Loss for the period from discontinued operation		**–**	(1,149)
Profit for the period	*5*	**5,369**	608

* *For identification purposes only*

	Notes	Six months ended 30th June, 2007 HK$'000 (unaudited)	2006 HK$'000 (unaudited)
Attributable to:			
Equity holders of the Company		**1,002**	(1,293)
Minority interests		**4,367**	1,901
		5,369	608
		HK cents	*HK cents*
Earnings (loss) per share	*6*		
From continuing and discontinued operations			
– Basic		**0.14**	(0.18)
– Diluted		**0.14**	N/A
From continuing operations			
– Basic		**0.14**	(0.02)
– Diluted		**0.14**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	At 30th June, 2007 HK$'000 (unaudited)	At 31st December, 2006 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**456,415**	459,809
Prepaid lease payments on land use rights		**15,416**	15,301
Goodwill		**69,479**	69,479
Mining right		**7,210**	7,142
Interest in a jointly controlled entity		**–**	–
Interest in an associate		**–**	–
Club debenture		**–**	330
		548,520	552,061
CURRENT ASSETS			
Properties held for sale		**1,197**	2,252
Prepaid lease payments on land use rights		**395**	387
Inventories		**40,366**	36,593
Trade and other receivables	*7*	**227,340**	203,369
Deposits and prepayments		**5,131**	4,865
Amounts due from fellow subsidiaries		**–**	1,927
Amount due from a minority shareholder		**835**	–
Pledged short-term bank deposits		**25,314**	24,808
Bank balances and cash		**51,199**	42,192
		351,777	316,393
CURRENT LIABILITIES			
Trade and other payables, and deposits	*8*	**149,981**	114,571
Amount due to ultimate holding company		**–**	7,937
Amount due to a fellow subsidiary		**–**	9,603
Amount due to a minority shareholder		**–**	4,974
Amounts due to related companies		**3,794**	935
Tax liabilities		**2,224**	1,578
Bank borrowings due within one year		**148,358**	136,227
		304,357	275,825
NET CURRENT ASSETS		**47,420**	40,568
TOTAL ASSETS LESS CURRENT LIABILITIES		**595,940**	592,629

	Notes	At 30th June, 2007 HK$'000 (unaudited)	At 31st December, 2006 HK$'000 (audited)
CAPITAL AND RESERVES			
Share capital		**182,349**	182,349
Reserves		**124,446**	118,298
Equity attributable to equity holders of the Company		**306,795**	300,647
Minority interests		**180,914**	173,093
TOTAL EQUITY		**487,709**	473,740
NON-CURRENT LIABILITIES			
Amount due to a minority shareholder		**560**	494
Amounts due to fellow subsidiaries		**–**	203
Bank borrowings due after one year		**78,500**	86,000
Deferred taxation		**29,171**	32,192
		108,231	118,889
		595,940	592,629

NOTES:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2006.

In the current interim period, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1st January, 2007.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC) – Int 8	Scope of HKFRS 2[3]
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment[5]

[1] *Effective for annual periods beginning on or after 1st January, 2007.*
[2] *Effective for annual periods beginning on or after 1st March, 2006.*
[3] *Effective for annual periods beginning on or after 1st May, 2006.*
[4] *Effective for annual periods beginning on or after 1st June, 2006.*
[5] *Effective for annual periods beginning on or after 1st November, 2006.*

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions[2]
HK(IFRIC) – Int 12	Service Concession Arrangements[3]

[1] *Effective for annual periods beginning on or after 1st January, 2009.*

[2] *Effective for annual periods beginning on or after 1st March, 2007.*

[3] *Effective for annual periods beginning on or after 1st January, 2008.*

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

For management purposes, the Group is currently organised into two operating divisions – (1) distribution and manufacturing of cement and clinker and (2) distribution and manufacturing of slag powder. The Group's operations are principally located in the People's Republic of China (the "PRC"). An analysis of the Group's revenue and segment results by business segments is as follows:

Business Segments:

	Continuing operations			Discontinued operation	
	Distribution and manufacturing of cement and clinker	Distribution and manufacturing of slag powder	Total	Distribution of ceramic tiles, granite and marble products	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
For the six months ended 30th June, 2007					
Segment revenue	**185,506**	**5,575**	**191,081**	**–**	**191,081**
Segment results	**13,887**	**(1,129)**	**12,758**	**–**	**12,758**
Unallocated income			**2,417**	**–**	**2,417**
Unallocated expenses			**(4,567)**	**–**	**(4,567)**
Finance costs			**(8,284)**	**–**	**(8,284)**
Profit before taxation			**2,324**	**–**	**2,324**
Taxation credit			**3,045**	**–**	**3,045**
Profit for the period			**5,369**	**–**	**5,369**

	Continuing operations			Discontinued operation	
	Distribution and manufacturing of cement and clinker	**Distribution and manufacturing of slag powder**	**Total**	**Distribution of ceramic tiles, granite and marble products**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
For the six months ended 30th June, 2006					
Segment revenue	171,069	7,800	178,869	1,584	180,453
Segment results	11,857	696	12,553	(1,145)	11,408
Unallocated income			561	2	563
Unallocated expenses			(2,561)	–	(2,561)
Finance costs			(7,340)	–	(7,340)
Profit before taxation			3,213	(1,143)	2,070
Taxation charge			(1,456)	(6)	(1,462)
Profit for the period			1,757	(1,149)	608

4. TAXATION (CREDIT) CHARGE

	Continuing operations Six months ended 30th June,		Discontinued operation Six months ended 30th June,		Consolidated Six months ended 30th June,	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Current tax:						
PRC						
Enterprise Income Tax	**615**	10	**–**	6	**615**	16
Deferred tax:						
Current period	**(1,275)**	1,446	**–**	–	**(1,275)**	1,446
Attributable to change in tax rate	**(2,385)**	–	**–**	–	**(2,385)**	–
	(3,660)	1,446	**–**	–	**(3,660)**	1,446
	(3,045)	1,456	**–**	6	**(3,045)**	1,462

No provision for Hong Kong Profits Tax is made as the group companies operating in Hong Kong do not have any assessable profit for both periods.

The PRC income tax is calculated at the rates applicable to respective subsidiaries. In accordance with the tax legislations applicable to foreign investment enterprises, certain subsidiaries in the PRC are entitled to exemptions from PRC Enterprise Income Tax for the two years commencing from the first profit-making year of operation and thereafter, entitled to a 50% relief from PRC Enterprise Income Tax for the following three years.

On 16th March, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC, which will change the tax rate from 27% to 25% for a subsidiary from 1st January, 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

5. PROFIT FOR THE PERIOD

	Continuing operations Six months ended 30th June,		Discontinued operation Six months ended 30th June,		Consolidated Six months ended 30th June,	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Profit for the period has been arrived at after charging (crediting):						
Amortisation of mining right (included in administrative and other expenses)	**78**	74	**–**	–	**78**	74
Depreciation of property, plant and equipment	**12,800**	11,821	**–**	47	**12,800**	11,868
Impairment of property, plant and equipment	**938**	–	**–**	–	**938**	–
Release of prepaid lease payments on land use rights	**197**	176	**–**	–	**197**	176
Interest income	**(442)**	(552)	**–**	(2)	**(442)**	(554)
Gain on disposal of trading securities	**(1,244)**	–	**–**	–	**(1,244)**	–

6. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted earnings (loss) per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended 30th June,	
	2007	2006
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings (loss) for the purposes of calculating basic and diluted earnings (loss) per share	**1,002**	(1,293)
Weighted average number of ordinary share for the purpose of basic earnings (loss) per share	**729,395,043**	729,395,043
Effect of dilutive potential ordinary shares: Share options	**751,351**	–
Weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share	**730,146,394**	729,395,043

From continuing operations

The calculation of the basic and diluted earnings (loss) per share from continuing operations attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended 30th June,	
	2007	2006
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit (loss) for the period attributable to equity holders of the Company	**1,002**	(1,293)
Less: Loss for the period from discontinued operation	**–**	(1,149)
Profit (loss) for the purposes of basic earnings (loss) per share from continuing operations	**1,002**	(144)

From discontinued operation

For the six months ended 30th June, 2006, basic loss per share from discontinued operation was 0.16 HK cents per share. The calculation of the basic loss per share was based on the loss for the period from the discontinued operation of HK$1,149,000 attributable to the ordinary equity holders of the Company.

No diluted loss per share was presented for the six months ended 30th June, 2006 because the exercise price of the Company's share options was higher than the average market price of shares.

7. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing its trade customers credit periods normally ranging from 30 days to 120 days. Included in trade and other receivables are trade receivables of approximately HK$216,257,000 (at 31st December, 2006: HK$191,501,000) and their aged analysis is as follows:

	At 30th June, 2007 *HK$'000* (unaudited)	At 31st December, 2006 *HK$'000* (audited)
0 – 90 days	**140,777**	128,793
91 – 180 days	**52,423**	26,892
181 – 365 days	**18,921**	16,833
Over 1 year	**4,136**	18,983
	216,257	191,501

As at 30th June, 2007, discounted bills receivable with recourse of approximately of HK$44,888,000 (at 31st December, 2006: HK$15,453,000) was included in trade receivables.

8. TRADE AND OTHER PAYABLES, AND DEPOSITS

Included in trade and other payables, and deposits are trade payables of approximately HK$84,924,000 (at 31st December, 2006: HK$72,337,000) and their aged analysis is as follows:

	At 30th June, 2007 *HK$'000* (unaudited)	At 31st December, 2006 *HK$'000* (audited)
0 – 90 days	**50,570**	64,953
91 – 180 days	**28,775**	3,820
181 – 365 days	**3,653**	2,097
Over 1 year	**1,926**	1,467
	84,924	72,337

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30th June, 2007 (2006: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the six months ended 30th June, 2007, the Group's turnover increased by 6.8% to HK$191,081,000 (2006: HK$178,869,000). Net profit attributable to shareholders of the Company was HK$1,002,000 compared to a loss of HK$1,293,000 for the same period in the previous year.

Earnings per share (basic) for the six months ended 30th June, 2007 was 0.14 HK cents (2006 Loss per share: 0.18 HK cents) and the net asset value per share as at 30th June, 2007 was HK$0.42 (at 30th June, 2006: HK$0.40).

BUSINESS REVIEW

The Group is principally engaged in the manufacturing and sales of cement and clinker, and slag powder. Its principal market is mainland China.

Cement and Clinker Business

Turnover of the cement business of the Group for the period increased by 8.4% to HK$185,506,000 (2006: HK$171,069,000). However, the sales volume of cement and clinker decreased by 4.5% to 1,030,000 tonnes (2006: 1,078,000 tonnes) mainly due to the raw material grinding reform program undertaken by Shandong Shanghai Allied Cement Co., Ltd ("Shandong SAC") in the first quarter of 2007, during which time the kiln was closed for large-scale restoration and did not reopen until April. Segment profit amounted to HK$13,887,000 (2006: HK$11,857,000), representing an increase of 17.1%.

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

Shanghai SAC's clinker production volume increased by 0.9% to 323,000 tonnes (2006: 320,000 tonnes) while cement production volume decreased by 2.6% to 407,000 tonnes (2006: 418,000 tonnes), compared to the same period last year. Sales of P.O42.5 cement for the period decreased by 20% to 343,000 tonnes. However, sales of P.II52.5 cement achieved a substantial increase of 94.7% to 70,500 tonnes. Such changes in sales mix reflects the expansion of Shanghai SAC's production capacity of high-end cement, with the doubling of the production volume of P.II52.5 cement. Segment profit amounted to HK$8,439,000 (2006: HK$7,183,000).

2. *Shandong SAC*

In view of the continuous increase in the price of cement and clinker, Shandong SAC resumed its raw material grinding by using the same machinery which had been converted for cement grinding during the previous year. Production of clinker started in April and is now in normal operation. The interruption of production caused by the kiln restoration has resulted in the decrease of both the production and sales volume to 59,900 tonnes and 99,000 tonnes respectively. Taking into account the related additional amortization cost, a segment loss of HK$5,093,000 was recorded, compared with a profit of HK$801,000 achieved last year.

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

The clinker output of Allied Wangchao increased by 11.3% to 472,000 tonnes (2006: 424,000 tonnes). Utilization rate of the kiln exceeded 90%. Segment profit amounted to HK$10,541,000 (2006: HK$3,873,000) representing an increase of 172.2% as compared to the same period last year. Allied Wangchao has become one of the major profit centres of the Group and will continue to utilize its strengths in resources, pier facilities and technology to enhance its competitiveness.

Slag Powder Business

The production output of the slag powder business amounted to 37,600 tonnes (2006: 52,000 tonnes), representing a decrease of 27.7% over the same period last year. Sales volume increased by 15.4% to 60,000 tonnes (2006: 52,000 tonnes). Segment loss amounted to HK$1,129,000 (2006: Profit of HK$696,000).

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

The Group's capital expenditure, daily operations and investments were funded by cash generated from its internal operations and loans from principal bankers. As at 30th June, 2007, the Group maintained reasonable liquidity and had cash reserves of approximately HK$76,513,000 (at 30th June, 2006: HK$40,546,000) including pledged short-term bank deposit of approximately HK$25,314,000 (at 30th June, 2006: HK$16,662,000). The Group had a current ratio of approximately 1.16 (at 30th June, 2006: 1.01). At 30th June, 2007, the net assets of the Group amounted to HK$306,795,000 (at 30th June, 2006: HK$291,989,000). The borrowings in liabilities amounted to HK$226,858,000 (at 30th June, 2006: HK$239,389,000), of which borrowings from a fellow subsidiary and a related company amounted to Nil (at 30th June, 2006: HK$15,000,000) and approximately 50.2% (at 30th June, 2006: 37.2%) of the borrowings were at fixed rates. The gearing ratio (net bank borrowings over net assets) was 49.0% (at 30th June, 2006: 63.0%).

Foreign Exchange Fluctuation

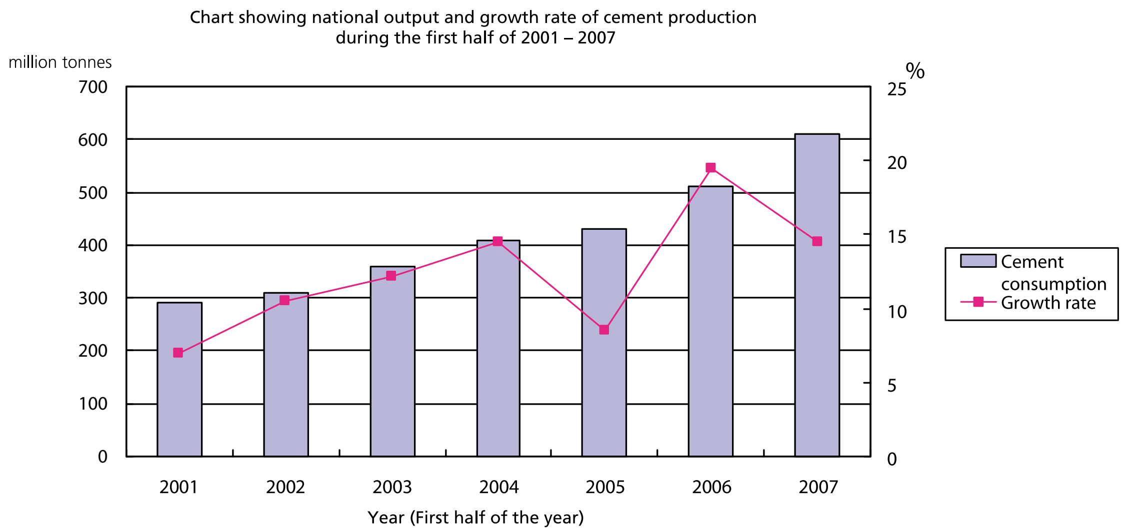
Since the Group's operations were mainly located in Mainland China, transactions carried out were primarily denominated in Renminbi. As the fluctuation in exchange rates of Renminbi against Hong Kong dollars was relatively stable, the foreign exchange exposure will have no significant impact to the Group.

Charges on Assets

As of 30th June, 2007, short-term bank deposits of HK$24,490,000 (at 30th June, 2006: HK$15,878,000) were pledged to banks and financial institutions as collateral to secure short-term banking facilities in respect of bills payable issued to suppliers.

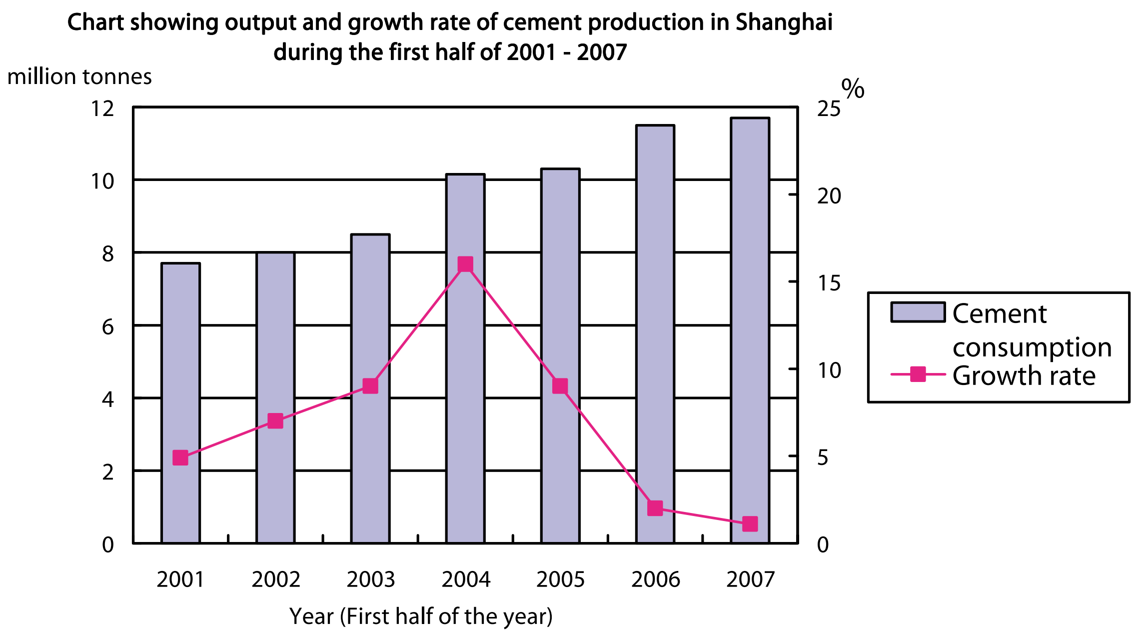
BUSINESS DEVELOPMENT

China's national production of cement reached 610 million tonnes during the first half of 2007, representing an increase of 13.4% over the previous year. However, the production growth has slowed down by about 7% as compared with 2006.



Source: China Building Material News

It is shown in the chart below that cement output rose steadily during the first half of 2007. Please also refer to the chart below for the trend in cement consumption in Shanghai:



Source: Shanghai Cement Association

Cement consumption in Shanghai increased by 0.13 million tonnes or 1.1% from last year to 11.73 million tonnes during the first half of 2007. As shown in the chart above, cement consumption of Shanghai during the first half of the 2007 remained within the four-year range of 10 to 11.8 million tonnes, while its growth has gradually slowed down, reflecting both the stable demand environment and the significant impact of the austerity measures imposed in Shanghai. Any expectation of an upsurge in cement consumption driven by large-scale construction project in Shanghai is now deemed unrealistic.

Compared to China as a whole, the growth in cement production of Shanghai is significantly slower, which tends to reflect the emphasis in investment in fixed assets. During the first half of 2007, fixed assets investment in China increased by 25.9% to RMB5,416.8 billion. Fixed assets investment in Shanghai during the first half of 2007 amounted to RMB192.836 billion, an increase of 9.6% over the corresponding period last year. Investment in fixed assets of Shanghai is underlined by the rapid growth in infrastructure investments, which increased by 33% to RMB60.6 billion during the first half of 2007.

The Group's market expansion in Northern Jiangsu and Southern Shangdong as well as its quality products has enhanced its reputation. The Group is pleased that the "Titan" brand cement and clinker has become the first choice of our customers. The Group also advocates regular communication and cooperation within the cement industry to avoid vicious competition. The cement market of China is substantial but very competitive with low profit margin compared to the more mature markets elsewhere.

The pursuit of economies of scale in production is a strategy commonly adopted in the cement industry in China while research on recycling technology is still at a very preliminary phase. In view of China's emphasis on energy conservation, the Group aims to achieve a leading position in the recycling technology in cement production. Positive results have been achieved in recycling urban wastes and obtaining approval for the reuse of urban mud, with no adverse effect on product quality but with improvement in resource consumption and lower production cost. This recycling technology has significantly improved the value-added component by the cement industry in the overall industrial chain in a metropolitan city. The use of such recycling technology is also welcomed by China Cement Association, Shanghai Cement Association and the relevant State's authorities. The Group will continue its endeavors in "clean and green" production with emphasis on research and development of reduction in energy consumption, wastage discharge and natural resources consumption to achieve better results.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June, 2007, the Group employed 694 employees (at 30th June, 2006: 676). The remuneration policies of the Group are based on the prevailing remuneration level in the market and the performances of respective companies and employees.

RISK MANAGEMENT

The Group periodically updates its risk management system, including customer credit assessment, government policy risk, treasury management, etc to strengthen its risk management.

PROSPECTS

The cement industry in China has experienced rapid growth from early 2001 onwards. Many cement companies with annual production capacity of over ten million tonnes have been established across China. 60 of such cement companies have been jointly selected by the State Development and Reform Commission, the Ministry of Land and Resources and People's Bank of China to be under the auspices of the State. This key cement group has now become the pillar of the cement industry of China. Shanghai SAC is part of this key cement group but we still have to face severe challenges and operate in a very competitive market. The major challenge is the excess supply of cement. Although the State has proposed to close down cement companies which employ shaft kiln, an outdated technology, with aggregate production capacity of 250 million tonnes before 2010, it still fails to address the fundamental problem of excess supply. The Group will focus on cash sales with the A-category clients to mitigate the risk.

The continued increases in coal price and electricity tariff pose another challenge to the Group on cost control. The Group has initiated the recycling technology and streamlining programme to respond to such risks. The Group will adhere to the streamlining program initiated in 2006 to boost efficiency and rationalize the organizational structure.

On 26th July, 2007, a wholly-owned subsidiary of the Group has entered into a conditional agreement for sale and purchase (the "Conditional Agreement") with independent third parties in relation to the purchase of the entire issued share capital of a company which is engaging in the business of gold mining in China. The consideration under the Conditional Agreement will be settled by both cash and new shares in the Company. The Group is in the process of preparing an announcement which complies with the requirements under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and will issue such announcement in due course.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30th June, 2007, the Company has applied the principles of, and complied with, the applicable code provisions of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Listing Rules, except for certain deviations which are summarised below:

1. Code Provision A.2.1

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer (“CEO”) should be separate and should not be performed by the same individual.

The Company does not at present have a Chairman. Mr. Ng Qing Hai, being the President and CEO of the Company, is responsible for running the business of the Group and implementation of the Group’s strategy in achieving the overall commercial goals as well as part of the duties of Chairman which constitute a deviation from the code provision A.2.1 of the CG Code.

To comply with this code provision, the Company is considering the appointment of a Chairman of the Board if a candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group.

2. Code Provisions B.1.3 and C.3.3

Code provisions B.1.3 and C.3.3 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 (the “Remuneration Committee”) adopted by the Company are in compliance with the code provision B.1.3 except that the Remuneration Committee should review (as opposed to determine under the code provision) and make recommendations to the Board on the remuneration packages of Executive Directors only and not senior management (as opposed to Directors and senior management under the code provision).

The terms of reference of the audit committee (the "Audit Committee") adopted by the Company are in compliance with the code provision C.3.3 except that the Audit Committee (i) should 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 coordination 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 section "Corporate Governance Report" contained in the Company's annual report for the financial year ended 31st December, 2006. The Board has reviewed the terms during the period under review and 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.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the unaudited interim financial report for the six months ended 30th June, 2007. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditors in accordance with Statement of Auditing Standards 700 issued by the HKICPA as well as obtaining reports 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 had purchased, sold or redeemed any of the Company's shares during the six months ended 30th June, 2007.

By Order of the Board
Shanghai Allied Cement Limited
Dato' Wong Peng Chong
Vice President

Hong Kong, 30th August, 2007

As at the date of this announcement, the Board comprises Mr. Ng Qing Hai (President and Chief Executive Officer), Dato' Wong Peng Chong (Vice-President) and Mr. Kong Muk Yin, being the Executive Directors; Ms. Chong Sok Un being the Non-Executive Director; and Mr. Chen Ching, Mr. Jin Hui Zhi and Mr. Li Chak Hung being the Independent Non-Executive Directors.