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 AUDITED RESULTS FOR THE YEAR 2007

The board of directors (the "Board") of Shanghai Allied Cement Limited (the "Company") announces that the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December, 2007 were as follows:

CONSOLIDATED INCOME STATEMENT

	NOTES	**2007** *HK$'000*	2006 *HK$'000*
Continuing operations:			
Turnover	*3*	**434,300**	384,931
Cost of sales		**(402,805)**	(339,572)
Gross profit		**31,495**	45,359
Other income		**33,037**	23,801
Distribution and selling expenses		**(7,834)**	(6,283)
Administrative expenses		**(38,423)**	(26,263)
Allowance for bad and doubtful debts		**(5,820)**	(5,583)
Bad and doubtful debts recovered		**2,218**	3,174
Gain on disposal of subsidiaries		**2,330**	8
Finance costs	*4*	**(33,598)**	(16,469)
(Loss) profit before taxation		**(16,595)**	17,744
Taxation credit (charge)	*5*	**1,400**	(7,207)
(Loss) profit from continuing operations		**(15,195)**	10,537
Discontinued operation:			
Loss for the year from discontinued operation		**–**	(3,343)
(Loss) profit for the year	*6*	**(15,195)**	7,194

* *For identification purposes only*

	NOTES	**2007**	2006
		HK$'000	*HK$'000*
Attributable to:			
Equity holders of the Company		**(21,658)**	387
Minority interests		**6,463**	6,807
		(15,195)	7,194
		HK cents	*HK cents*
(Loss) earnings per share	*7*		
From continuing and discontinued operations			
Basic		**(2.97)**	0.05
From continuing operations			
Basic		**(2.97)**	0.51

CONSOLIDATED BALANCE SHEET

At 31st December, 2007

	NOTES	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**465,024**	459,809
Prepaid lease payments on land use rights		**15,867**	15,301
Goodwill	8	**69,479**	69,479
Mining right		**7,436**	7,142
Interest in a jointly controlled entity		**–**	–
Interest in an associate		**–**	–
Deposit and loan receivable		**202,556**	–
Club debenture		**–**	330
		760,362	552,061
CURRENT ASSETS			
Properties held for sale		**1,248**	2,252
Prepaid lease payments on land use rights		**411**	387
Inventories		**39,473**	36,593
Trade and other receivables	9	**253,971**	203,369
Deposits and prepayments		**8,615**	4,865
Amount due from a minority shareholder		**1,281**	–
Amounts due from fellow subsidiaries		**–**	1,927
Pledged short-term bank deposits		**26,391**	24,808
Bank balances and cash		**41,269**	42,192
		372,659	316,393
CURRENT LIABILITIES			
Trade and other payables and deposits received	10	**142,118**	114,571
Dividends payable to a minority shareholder		**738**	–
Amount due to former ultimate holding company		**12,841**	7,937
Amount due to a fellow subsidiary		**–**	9,603
Amount due to a minority shareholder		**–**	4,974
Amounts due to related companies		**777**	935
Tax liabilities		**3,329**	1,578
Borrowings due within one year		**242,310**	136,227
		402,113	275,825
Net current (liabilities) assets		**(29,454)**	40,568
Total assets less current liabilities		**730,908**	592,629

	NOTES	2007 HK$'000	2006 HK$'000
CAPITAL AND RESERVES			
Share capital		**182,349**	182,349
Reserves		**112,736**	118,298
Equity attributable to equity holders of the Company		**295,085**	300,647
Minority interests		**186,677**	173,093
TOTAL EQUITY		**481,762**	473,740
NON-CURRENT LIABILITIES			
Amount due to a minority shareholder		**400**	494
Amounts due to fellow subsidiaries		**–**	203
Borrowings due after one year		**220,000**	86,000
Deferred taxation		**28,746**	32,192
		249,146	118,889
		730,908	592,629

Notes:

1. BASIS OF PREPARATION

The Group has net current liabilities of HK$29,454,000 as at 31st December, 2007. In the opinion of the directors, the cash flows from operations, the credit facilities granted after the balance sheet date and the expected proceeds from the conditional share placing as set out in "Review of Operations" will provide adequate funds to enable the Group to meet in full its financial obligations as they fall due. The consolidated financial statements have therefore been prepared on a going concern basis.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new standard, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1st January, 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – INT 8	Scope of HKFRS 2
HK(IFRIC) – INT 9	Reassessment of embedded derivatives
HK(IFRIC) – INT 10	Interim financial reporting and impairment

The adoption of the new HKFRSs had no material effect on how the Group's results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

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

HKAS 1 (Revised)	Presentation of financial statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKAS 27 (Revised)	Consolidated and separate financial statements[2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[1]
HKFRS 3 (Revised)	Business combinations[2]
HKFRS 8	Operating segments[1]
HK(IFRIC) – INT 11	HKFRS 2: Group and treasury share transactions[3]
HK(IFRIC) – INT 12	Service concession arrangements[4]
HK(IFRIC) – INT 13	Customer loyalty programmes[5]
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction[4]

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

[2] *Effective for accounting periods beginning on or after 1st July, 2009.*

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

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

[5] *Effective for accounting periods beginning on or after 1st July, 2008.*

The adoption of HKFRS 3 (revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (revised) will affect the accounting treatment for change in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transaction.

The directors of the Company anticipate that the application of the other new or revised 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 powders. Distribution of ceramic files, granite and marble products has been discontinued during the year ended 31st December, 2006. The two operating divisions are the basis on which the Group reports its primary segment information. The Group's operations are principally located in the PRC. An analysis of the Group's revenue and segment results by business segments is as follows:

	Continuing operations			**Discontinued operation**	
	Distribution and manufacturing of cement and clinker	**Distribution and manufacturing of slag powders**	**Total**	**Distribution of ceramic tiles, granite and marble products**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31st December, 2007					
Segment revenue	**420,683**	**13,617**	**434,300**	**–**	**434,300**
Segment results	**23,185**	**(1,453)**	**21,732**	**–**	**21,732**
Unallocated income			**9,512**	**–**	**9,512**
Unallocated expenses			**(14,241)**	**–**	**(14,241)**
Finance costs			**(33,598)**	**–**	**(33,598)**
Loss before taxation			**(16,595)**	**–**	**(16,595)**
Taxation credit			**1,400**	**–**	**1,400**
Loss for the year			**(15,195)**	**–**	**(15,195)**
For the year ended 31st December, 2006					
Segment revenue	367,691	17,240	384,931	1,580	386,511
Segment results	32,790	3,303	36,093	(3,338)	32,755
Unallocated income			5,136	–	5,136
Unallocated expenses			(7,016)	–	(7,016)
Finance costs			(16,469)	–	(16,469)
Profit before taxation			17,744	(3,338)	14,406
Taxation charge			(7,207)	(5)	(7,212)
Profit (loss) for the year			10,537	(3,343)	7,194

4. FINANCE COSTS

	Continuing operations and consolidated	
	2007	2006
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings wholly repayable within five years	**15,136**	13,524
Imputed interest on amounts due to fellow subsidiaries and a minority shareholder	**676**	25
Other borrowing costs	**17,786**	2,920
Total	**33,598**	16,469

5. TAXATION CREDIT (CHARGE)

	Continuing operations		Discontinued operation		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Current tax						
– PRC Enterprise income tax	**(4,044)**	(10)	**–**	(5)	**(4,044)**	(15)
Deferred tax						
– Current year	**2,925**	(7,197)	**–**	–	**2,925**	(7,197)
– Attributable to a change on tax rate	**2,519**	–	**–**	–	**2,519**	–
	1,400	(7,207)	**–**	(5)	**1,400**	(7,212)

6. (LOSS) PROFIT FOR THE YEAR

	Continuing operations		Discontinued operation		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
(Loss) profit for the year has been arrived at after charging:						
Staff costs						
Directors' remuneration	**2,410**	2,694	**–**	–	**2,410**	2,694
Less: Apportionment of management fee and administrative expenses	**(501)**	(454)	**–**	–	**(501)**	(454)
	1,909	2,240	**–**	–	**1,909**	2,240
Contributions to retirement benefit schemes – other staff	**5,079**	4,346	**–**	62	**5,079**	4,408
Other staff costs	**20,939**	21,888	**–**	488	**20,939**	22,376
	27,927	28,474	**–**	550	**27,927**	29,024
Auditor's remuneration	**1,546**	1,033	**–**	97	**1,546**	1,130
Amortisation of mining right (included in administrative expenses)	**162**	147	**–**	–	**162**	147
Depreciation of property, plant and equipment	**26,675**	24,569	**–**	72	**26,675**	24,641
Total amortisation and depreciation	**26,837**	24,716	**–**	72	**26,837**	24,788
Release of prepaid lease payments on land use rights	**411**	374	**–**	–	**411**	374
Rental payments for premises under operating leases	**1,178**	630	**–**	31	**1,178**	661
Rental payments for plant and machinery under operating leases	**1,542**	1,346	**–**	–	**1,542**	1,346
Other rental expenses	**–**	585	**–**	–	**–**	585
Loss on disposal and write-off of property, plant and equipment	**839**	225	**–**	–	**839**	225
and after crediting:						
Interest income	**4,123**	821	**–**	3	**4,123**	824
Foreign exchange gain	**6,372**	4,019	**–**	72	**6,372**	4,091
Foreign exchange loss	**(368)**	(236)	**–**	–	**(368)**	(236)
Net foreign exchange gain	**6,004**	3,783	**–**	72	**6,004**	3,855
Refund of value-added tax	**17,124**	14,589	**–**	–	**17,124**	14,589

7. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic (loss) earnings per share is based on 729,395,043 (2006: 729,395,043) shares in issue throughout the year.

From continuing operations

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

	2007	2006
	HK$'000	*HK$'000*
(Loss) profit for the year attributable to equity holders of the Company	**(21,658)**	387
Less: Loss for the year from discontinued operations	**–**	(3,343)
(Loss) earnings for the purposes of basic (loss) earnings per share from continuing operations	**(21,658)**	3,730

From discontinued operation

Basic loss per share for the discontinued operation for 2006 was 0.46 HK cents per share.

The calculation of the basic loss per share for 2006 was based on the loss for the year of HK$3,343,000 attributable to the equity holders of the Company.

No diluted loss per share has been presented in 2007 because all share options outstanding were lapsed during the year ended 2007.

No diluted earnings per share has been presented for 2006 because the exercise price of the Company's share options was higher than the average market price of shares.

8. GOODWILL AND IMPAIRMENT TEST ON GOODWILL

	HK$'000
COST	
At 1st January, 2006, 31st December, 2006 and 31st December, 2007	83,618
IMPAIRMENT	
At 1st January, 2006, 31st December, 2006 and 31st December, 2007	14,139
CARRYING VALUE	
At 31st December, 2007	69,479
At 31st December, 2006	69,479

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill of HK$83,618,000 was wholly allocated to cash-generating unit in distribution and manufacturing of cement and clinker of a subsidiary (the "Unit").

Upon the application of HKFRS 3, the Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the Unit are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rate, growth rates and expected changes to selling prices and direct costs during the forecasted period. Management estimates discount rate of 12.55% (2006: 8.56%), using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Unit. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow projections derived from the most recent financial budgets approved by management covering a five-year period and extrapolated cash flows of the Unit for the following eight years using zero growth rate.

During the year ended 31st December, 2007, management of the Group determines that there are no impairments of the Unit.

Due to the effects caused by the macro-economic adjustments in the PRC and the uncertainty about the market conditions in previous years, the Group revised its cash flow projections for the Unit during the year ended 31st December, 2005. The Unit was therefore reduced to its recoverable amount through recognition of an impairment loss against goodwill of HK$14,139,000 in that year.

9. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing its trade customers credit periods normally ranging from 120 days to 1 year. Included in trade and other receivables are trade receivables of approximately HK$245,402,000 (2006: HK$191,501,000) and their aged analysis is as follows:

	2007	2006
	HK$'000	*HK$'000*
0 – 90 days	**187,538**	128,793
91-180 days	**32,575**	26,892
181 – 365 days	**19,935**	16,833
Over 1 year	**5,354**	18,983
	245,402	191,501

As at 31st December, 2007, discounted bills receivable with recourse of approximately HK$50,321,000 (2006: HK$15,453,000) was included in trade receivables.

10. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

Included in trade and other payables and deposits received are trade payables of approximately HK$88,702,000 (2006: HK$72,337,000) and their aged analysis is as follows:

	2007	2006
	HK$'000	*HK$'000*
0 – 90 days	**73,699**	64,953
91-180 days	**6,569**	3,820
181 – 365 days	**4,354**	2,097
Over 1 year	**4,080**	1,467
	88,702	72,337

FINANCIAL RESULTS

For the year ended 31st December, 2007, although turnover increased by 12.8% to HK$434,300,000 (2006: HK$384,931,000) the Group recorded a net loss attributable to shareholders of HK$21,658,000, compared to a profit of HK$387,000 in the previous year.

Loss per share (basic) for the year was 2.97 HK cents (2006: Earnings per share (basic): 0.05 HK cent) and the net asset value per share was HK$0.40 (2006: HK$0.41).

DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31st December, 2007 (2006: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

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

Cement and Clinker Business

For the year ended 31st December, 2007, turnover of the Group's cement and clinker business increased by 14.4% to HK$420,683,000 (2006: HK$367,691,000) and profit decreased by 29.3% to HK$23,185,000 (2006: HK$32,790,000). During the year, the aggregate sales volume of cement and clinker increased by 11.6% to 2,439,000 tonnes (2006: 2,186,000 tonnes).

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

   For 2007, Shanghai SAC achieved a turnover and sales of HK$255,737,000 (2006: HK$220,653,000) and 995,000 tonnes (2006: 956,000 tonnes) respectively, representing increases of 15.9% and 4.1% as compared with the previous year. Segment profit of HK$13,294,000 (2006: HK$24,616,000).

During the year under review, Shanghai SAC enhanced its competitiveness by undertaking an overhaul of the cooling facilities, U-tube decomposition furnace, ventilation system and other core machinery of its factory. The logistic system was also improved for operational efficiency. In addition, Shanghai SAC committed financial resources to urban wastage recycling in cement production. These measures have shown promising results and patent rights have been obtained for some of the technologies employed. As a "clean and green" manufacturing enterprise, Shanghai SAC has successfully gained the ISO 14000 Environmental Certification.

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

Shandong SAC recorded a turnover of HK$20,456,000 (2006: HK$60,197,000) and sales of 351,000 tonnes (2006: 368,000 tonnes) during the year. Segment loss amounted to HK$10,108,000 (2006 profit: HK$3,709,000) mainly due to the significant increase in the price of coal. Shandong SAC ceased to produce clinker at the end of the year and replaced raw material grinding with cement grinding to improve performance and introduced more efficient production methods to reduce costs and enhance quality.

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

During the year, Allied Wangchao achieved a turnover of HK$144,490,000 (2006: HK$86,841,000) and sales of 1,093,000 tonnes (2006: 862,000 tonnes), representing increases of 66.4% and 26.8% over the previous year. Segment profit increased by 347.9% to HK$19,999,000 (2006: HK$4,465,000).

Allied Wangchao has become the most important profit centre of the Group. It has commenced using waste recycling technology in cement production and is in the process of applying for preferential treatment under the State's policies.

Slag Powder Business

During the year under review, the turnover and sale of fine grinded slag powder of Beijing Shanglian Shoufeng Construction Materials Limited amounted to HK$13,617,000 (2006: HK$17,240,000) and 108,000 tonnes (2006: 128,000 tonnes). Segment loss amounted to HK$1,453,000 (2006 profit: HK$3,303,000) due to the drop in demand in the final phase of construction activities for the Beijing Olympic Games.

Conditional Acquisition of Redstone

In September 2007, the Group entered into a conditional sale and purchase agreement ("Conditional Acquisition") to acquire the entire issued share capital of Redstone Gold Limited ("Redstone"), a company engaged in the business of gold mining in Yunnan Province, China, for an aggregate consideration of HK$1 billion to be partially settled by the issue of 530,000,000 new shares of the Company and payment of cash of HK$470 million. A conditional placing agreement was also entered into to place 600,000,000 new shares of the Company on a fully underwritten basis. Subsequently, a refundable deposit of HK$150 million was paid and a loan of HK$50 million was made to Redstone, secured by share mortgages over 90% of the issued share capital of Redstone and personal guarantee given by the beneficial owner of such 90% issued share capital of Redstone. The refundable deposit and loan to Redstone are all financed by other borrowings. The Group is in the process of carrying out its due diligence exercise on Redstone and the circular containing, inter alia, a notice to convene a special general meeting to approve the acquisition, is expected to be despatched to shareholders by 30th June, 2008.

The Group understands from the vendors that Redstone beneficially owns 85% interest in two gold mines with mining licences and four gold mines with gold exploration permits in Yunnan Province, China, and the vendor has warranted that the six gold mines mentioned above will together maintain its JORC Gold Resources of not less than 50 tonnes (metric) of contained gold metal in total at the completion of the acquisition.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

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, 2007, the Group maintained cash reserves of approximately HK$67,660,000 (2006: HK$67,000,000) including pledged short-term bank deposits of approximately HK$26,391,000 (2006: HK$24,808,000). At 31st December, 2007, the equity attributable to equity holders of the Company amounted to HK$295,085,000 (2006: HK$300,647,000). Borrowings amounted to HK$462,310,000 (2006: HK$222,227,000). The net current liabilities and high gearing ratio was the result of additional other borrowings obtained for financing payment of the refundable deposit and loan to Redstone for the Conditional Acquisition.

Foreign Exchange Fluctuation

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

Charges on Assets

As of 31st December 2007, bank deposits of HK$26,391,000 (2006: HK$24,808,000) were pledged to banks and financial institutions as collateral mainly to secure short term banking facilities in respect of bills payable to suppliers.

EMPLOYEES AND REMUNERATION POLICIES

As of 31st December, 2007, the Group, including its subsidiaries but excluding its associates, employed 634 (2006: 668) employees. The remuneration policies of the Group are based on the prevailing market levels and the performance of the respective group companies and individual employees. These policies are reviewed on a regular basis.

RISK MANAGEMENT

During the year, the Group constantly reviewed the risk and credit control systems of its profit centres to improve the overall control system and mitigate the credit risk.

PROSPECTS

Cement consumption in Shanghai reached its peak in 2006 and 2007 saw decreasing demand for cement in the industry. The austerity measures taken in Shanghai were much stricter than in other provinces and have adversely affected Shanghai's economic development. The increase in the price of coal has led to an increase in the unit cost of production and without a corresponding increase in the cement price, the profit margin of the cement manufacturers will continue to be affected. Nevertheless, it is hoped that the reconstruction activities after the catastrophe resulting from the recent severe weather conditions and the anticipated demand from events such as Shanghai World Exposition, Beijing-Shanghai Railway and Shanghai Hongqiao Transportation Hub will lead to greater cement consumption and help to mitigate the situation.

Being one of the cement companies selected by the Ministry of Land and Resources and the People's Bank of China to be under the auspices of the State, the Group has devoted its resources to enhancing internal control and technology development to improve its competitiveness.

Global demand for gold has increased substantially since early 2006. It is expected that the gold market in China, the third largest gold consumer in the world, will follow such a trend. Further, the gold market in China has been gradually deregulated in recent years and the Chinese Government has established a series of policies to promote the development of the gold industry to encourage gold mining enterprises to use advanced technologies in mining and production by granting them preferential treatment on taxation. These developments have significantly improved the business environment of the gold mining industry in China. The Group believes that the acquisition of Redstone presents a good opportunity to develop our investment and business in the natural resources sector, and enable the Group to increase earnings and enhance value for shareholders by diversifying into the potentially profitable gold mining business in China.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31st December, 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, 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, 2007. The Board has reviewed the terms during the year 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.

Further information on the Company's corporate governance practices and details of the Company's deviations from certain code provisions of the CG Code during the year under review will be set out in the corporate governance report to be contained in the Company's 2007 Annual Report which will be sent to the Shareholders in April 2008.

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, 2007.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31st December, 2007 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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 year ended 31st December, 2007.

By Order of the Board
Shanghai Allied Cement Limited
Ng Qing Hai
Chief Executive Officer

Hong Kong, 7th April, 2008

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.