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 2008

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, 2008 were as follows:

CONSOLIDATED INCOME STATEMENT

	NOTES	2008 HK$'000	2007 HK$'000
Continuing operation:			
Turnover	3	**552,847**	420,683
Cost of sales		**(509,121)**	(390,415)
Gross profit		**43,726**	30,268
Other income	4	**82,299**	31,595
Distribution and selling expenses		**(8,178)**	(7,274)
Administrative expenses		**(34,173)**	(36,431)
Allowance for bad and doubtful debts		**(410)**	(4,195)
Bad and doubtful debts recovered		**2,866**	2,163
Gain on disposal of subsidiaries		**–**	2,330
Finance costs	5	**(73,923)**	(33,598)
Profit (loss) before taxation		**12,207**	(15,142)
Taxation (charge) credit	6	**(1,857)**	1,400
Profit (loss) from continuing operation		**10,350**	(13,742)

* *For identification purposes only*

	NOTES	2008 HK$'000	2007 HK$'000
Discontinued operation:			
Profit (loss) for the year from discontinued operation		**139**	(1,453)
Profit (loss) for the year	*7*	**10,489**	(15,195)
Attributable to:			
Equity holders of the Company		**2,487**	(21,658)
Minority interests		**8,002**	6,463
		10,489	(15,195)
		HK cents	*HK cents*
Earnings (loss) per share	*8*		
From continuing and discontinued operations			
Basic		**0.34**	(2.97)
From continuing operation			
Basic		**0.32**	(2.77)

CONSOLIDATED BALANCE SHEET

At 31st December, 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment		**471,596**	465,024
Prepaid lease payments on land use rights		**16,510**	15,867
Goodwill	*9*	**69,479**	69,479
Mining right		**7,770**	7,436
Interest in a jointly controlled entity		**–**	–
Interest in an associate		**–**	–
Refundable deposit and loan receivable		**–**	202,556
		565,355	760,362
Current assets			
Properties held for sale		**1,333**	1,248
Prepaid lease payments on land use rights		**439**	411
Inventories		**48,554**	39,473
Trade and other receivables and deposits	*10*	**228,240**	253,971
Refundable deposit and loan receivable		**241,219**	–
Prepayments		**18,604**	8,615
Amount due from a minority shareholder		**–**	1,281
Tax recoverable		**721**	–
Pledged short-term bank deposits		**13,636**	26,391
Bank balances and cash		**60,647**	41,269
		613,393	372,659
Current liabilities			
Trade and other payables and deposits received	*11*	**94,647**	142,118
Dividends payable to a minority shareholder		**–**	738
Amount due to former ultimate holding company		**14,820**	12,841
Amount due to a minority shareholder		**4,876**	–
Amount due to a related company		**2,283**	777
Tax liabilities		**1,377**	3,329
Borrowings due within one year		**515,079**	242,310
		633,082	402,113
Net current liabilities		**(19,689)**	(29,454)
Total assets less current liabilities		**545,666**	730,908

	NOTES	2008 HK$'000	2007 HK$'000
Capital and reserves			
Share capital		**182,349**	182,349
Reserves		**130,725**	112,736
Equity attributable to equity holders of the Company		**313,074**	295,085
Minority interests		**192,882**	186,677
Total equity		**505,956**	481,762
Non-current liabilities			
Amount due to a minority shareholder		**450**	400
Borrowings due after one year		**10,341**	220,000
Deferred taxation		**28,919**	28,746
		39,710	249,146
		545,666	730,908

Notes:

1. BASIS OF PREPARATION

The Group has net current liabilities of approximately HK$19,689,000 as at 31st December, 2008. In the opinion of the directors of the Company, the cash flows from operations, the proceeds from the issue of new shares and the extension of repayment term of credit facilities after the balance sheet date 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 the following amendments and interpretations ("New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants which are or have become effective.

HKAS 39 and HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions
HK(IFRIC) – INT 12	Service concession arrangements
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of these 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 not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of financial statements[2]
HKAS 23 (Revised)	Borrowing costs[2]
HKAS 27 (Revised)	Consolidated and separate financial statements[3]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate[2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[2]
HKFRS 3 (Revised)	Business combinations[3]
HKFRS 7 (Amendment)	Improving disclosures about financial instruments[2]
HKFRS 8	Operating segments[2]
HK(IFRIC) – INT 9 & HKAS 39 (Amendment)	Embedded derivatives[4]
HK(IFRIC) – INT 13	Customer loyalty programmes[5]
HK(IFRIC) – INT 15	Agreements for the construction of real estate[2]
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation[6]
HK(IFRIC) – INT 17	Distribution of non-cash assets to owners[3]
HK(IFRIC) – INT 18	Transfer of assets from customers[7]

[1] *Effective for annual periods beginning on or after 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009.*

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

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

[4] *Effective for annual periods ending on or after 30th June, 2009.*

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

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

[7] *Effective for transfers on or after 1st July, 2009.*

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 these new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

For management purpose, the Group has one operating division in its continuing operation, which is distribution and manufacturing of cement and clinker. Distribution and manufacturing of slag powders has been discontinued during the year ended 31st December, 2008. The operating division is the basis on which the Group reports its primary segment information. The Group's operation is 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:

	Continuing operation	**Discontinued operation**	
	Distribution and manufacturing of cement and clinker	**Distribution and manufacturing of slag powders**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
For the year ended 31st December, 2008			
Segment revenue	**552,847**	**4,402**	**557,249**
Segment results	**49,637**	**(119)**	**49,518**
Corporate income	**50,741**	**258**	**50,999**
Corporate expenses	**(14,248)**	**–**	**(14,248)**
Finance costs	**(73,923)**	**–**	**(73,923)**
Profit before taxation	**12,207**	**139**	**12,346**
Taxation charge	**(1,857)**	**–**	**(1,857)**
Profit for the year	**10,350**	**139**	**10,489**

	Continuing operation	Discontinued operation	
	Distribution and manufacturing of cement and clinker	**Distribution and manufacturing of slag powders**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
For the year ended 31st December, 2007			
Segment revenue	420,683	13,617	434,300
Segment results	23,185	(1,453)	21,732
Corporate income	9,512	–	9,512
Corporate expenses	(14,241)	–	(14,241)
Finance costs	(33,598)	–	(33,598)
Loss before taxation	(15,142)	(1,453)	(16,595)
Taxation credit	1,400	–	1,400
Loss for the year	(13,742)	(1,453)	(15,195)

4. OTHER INCOME

	Continuing operation		**Discontinued operation**		**Consolidated**	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest income	**39,944**	4,123	**–**	–	**39,944**	4,123
Gain on disposal of property, plant and equipment	**39**	–	**–**	–	**39**	–
Subsidy income	**3,653**	–	**–**	–	**3,653**	–
Net foreign exchange gain	**10,429**	6,004	**–**	–	**10,429**	6,004
Refund of value-added tax	**19,711**	15,685	**465**	1,439	**20,176**	17,124
Sundry income	**8,523**	5,783	**1**	3	**8,524**	5,786
	82,299	31,595	**466**	1,442	**82,765**	33,037

5. FINANCE COSTS

	Continuing operation and consolidated	
	2008	2007
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings wholly repayable within five years	**13,096**	15,136
Imputed interest on interest-free amount due to a minority shareholder and former fellow subsidiaries	**51**	676
Other borrowing costs	**60,776**	17,786
Total	**73,923**	33,598

6. TAXATION (CHARGE) CREDIT

	Continuing operation and consolidated	
	2008	2007
	HK$'000	*HK$'000*
Current tax		
– PRC Enterprise Income Tax	**(6,576)**	(4,044)
– Overprovision in prior year	**2,976**	–
	(3,600)	(4,044)
Deferred tax		
– current year	**1,743**	2,925
– attributable to a change on tax rate	**–**	2,519
Taxation (charge) credit	**(1,857)**	1,400

7. PROFIT (LOSS) FOR THE YEAR

	Continuing operation		Discontinued operation		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Profit (loss) for the year has been arrived at after charging:						
Staff costs						
Directors' remuneration	**3,241**	2,410	**–**	–	**3,241**	2,410
Less: Apportionment of management fee and administrative expense	**823**	501	**–**	–	**823**	501
	2,418	1,909	**–**	–	**2,418**	1,909
Contributions to retirement benefit schemes – other staff	**5,217**	4,920	**23**	159	**5,240**	5,079
Other staff costs	**22,904**	19,477	**622**	1,462	**23,526**	20,939
	30,539	26,306	**645**	1,621	**31,184**	27,927
Auditor's remuneration	**1,561**	1,546	**–**	–	**1,561**	1,546
Cost of inventories recognised as an expense	**509,121**	390,415	**4,455**	12,390	**513,576**	402,805
Amortisation of mining right (included in administrative expenses)	**173**	162	**–**	–	**173**	162
Depreciation of property, plant and equipment	**28,120**	25,928	**398**	747	**28,518**	26,675
Total amortisation and depreciation	**28,293**	26,090	**398**	747	**28,691**	26,837
Release of prepaid lease payments on land use rights	**439**	411	**–**	–	**439**	411
Rental payments for premises under operating leases	**830**	848	**176**	330	**1,006**	1,178
Rental payments for plant and machinery under operating leases	**777**	1,542	**–**	–	**777**	1,542
Loss on disposal and write-off of property, plant and equipment	**–**	–	**–**	839	**–**	839

8. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

The calculation of the basic earnings (loss) per share is based on 729,395,043 (2007: 729,395,043) shares in issue throughout the year.

From continuing operation

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

Profit (loss) figures are calculated as follows:

	2008	2007
	HK$'000	*HK$'000*
Profit (loss) for the year attributable to equity holders of the Company	**2,487**	(21,658)
Less: Profit (loss) for the year from discontinued operation	**139**	(1,453)
Profit (loss) for the purposes of basic earnings (loss) per share from continuing operation	**2,348**	(20,205)

From discontinued operation

Basic earnings per share for the discontinued operation is HK0.02 cents (2007: loss of HK0.20 cents) per share.

The calculation of the basic earnings (loss) per share for the discontinued operation was based on the profit for the year of HK$139,000 (2007: loss of HK$1,453,000) attributable to the equity holders of the Company.

No diluted earnings (loss) per share has been presented because all share options outstanding were lapsed during the year 2007.

9. GOODWILL AND IMPAIRMENT TEST ON GOODWILL

	HK$'000
COST	
At 1st January, 2007, 31st December, 2007 and **31st December, 2008**	83,618
IMPAIRMENT	
At 1st January, 2007, 31st December, 2007 and **31st December, 2008**	14.139
CARRYING VALUE	
At 31st December, 2007 and **31st December, 2008**	**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 12.94% (2007: 12.55%), 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 prepared 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 ten years using zero growth rate.

During the year ended 31st December, 2008, 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.

10. TRADE AND OTHER RECEIVABLES AND DEPOSITS

The Group has a policy of allowing its trade customers credit periods normally ranging from 120 days to 1 year. Their aged analysis of trade receivables is as follows:

	2008	2007
	HK$'000	*HK$'000*
0 – 90 days	**173,285**	187,538
91-180 days	**33,830**	32,575
181 – 365 days	**7,364**	19,935
Over 1 year	**1,890**	5,354
	216,369	245,402

As at 31st December, 2008, discounted bills receivable with full recourse of approximately HK$32,740,000 (2007: HK$50,321,000) was included in trade receivables. The advance obtained from discounted bills receivable has been recorded as unsecured bank loans.

11. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

Included in trade and other payables and deposits received are trade payables of approximately HK$47,943,000 (2007: HK$88,702,000) and their aged analysis is as follows:

	2008	2007
	HK$'000	*HK$'000*
0 – 90 days	**15,300**	73,699
91-180 days	**29,505**	6,569
181 – 365 days	**1,177**	4,354
Over 1 year	**1,961**	4,080
	47,943	88,702

FINANCIAL RESULTS

For the year ended 31st December, 2008, the Group recorded a turnover of HK$552,847,000 (2007: HK$420,683,000) from its continuing operation and achieved a net profit attributable to shareholders of HK$2,487,000 (2007: loss of HK$21,658,000) in a competitive market environment.

Earnings per share (basic) for the year was HK 0.34 cents (2007: loss of HK 2.97 cents) and the net asset value per share was HK$0.43 (2007: HK$0.40)

DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31st December, 2008 (2007: nil) in order to preserve cash in light of the global financial turmoil and uncertainties.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

The Group is primarily engaged in the manufacture and sales of cement and clinker, and slag powders with its principal market in mainland China.

Continuing Operation - Cement and Clinker Business

For the year ended 31st December, 2008, turnover of the Group's cement and clinker business was HK$552,847,000 (2007: HK$420,683,000) and segment profit was HK$49,637,000 (2007: HK$23,185,000). During the year, the aggregate sales volume of cement and clinker dropped to 2,164,000 tonnes (2007: 2,439,000 tonnes).

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

   In 2008, Shanghai SAC achieved a turnover and sales of HK$322,803,000 (2007: HK$255,737,000) and 981,000 tonnes (2007: 995,000 tonnes) respectively. Segment profit was HK$23,248,000 (2007: HK$13,294,000).

During the year under review, against the backdrop of a competitive market environment, Shanghai SAC continued to focus on operational efficiency in its production process resulting in reduction of coal, gypsum and power consumption. In addition to urban wastage recycling, Shanghai SAC further undertook a scientific research project with the Science and Technology Commission of the Shanghai Municipality for the disposal of ashes from waste incineration plant in cement production.

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

Shandong SAC recorded a turnover of HK$74,021,000 (2007: HK$20,456,000) and sales of 291,000 tonnes (2007: 351,000 tonnes) during the year. Segment profit amounted to HK$1,016,000 (2007: loss of HK$10,108,000) due mainly to the focus on cement grinding and rationalizing of production method and workforce to reduce costs and enhance quality.

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

During the year, Allied Wangchao achieved a turnover of HK$156,023,000 (2007: HK$144,490,000) and sales of 892,000 tonnes (2007: 1,093,000 tonnes). Segment profit was HK$25,373,000 (2007: HK$19,999,000).

Allied Wangchao continued its efforts to rationalize its workforce and remuneration system to reduce cost and enhance quality and pursue its commitment to waste recycling technology in cement production.

Discontinued Operation – Slag Powders Business

During the year under review, the turnover and sale of slag powders of Beijing Shanglian Shoufeng Construction Materials Limited ("BSSCML") amounted to HK$4,402,000 (2007: HK$13,617,000) and 11,000 tonnes (2007: 108,000 tonnes) respectively. Segment loss amounted to HK$119,000 (2007: HK$1,453,000). With no positive future prospects for its slag powders business and to avoid further loss, the Group disposed of its entire equity holding in BSSCML during the year for a consideration of RMB4,700,000.

Conditional Acquisition of Redstone

As announced on 29th December, 2008, the conditional acquisition of the entire issued share capital of Redstone Gold Limited ("Redstone"), a company engaged in the business of gold mining in Yunnan Province, the PRC, for an aggregate consideration of HK$1 billion (the "Agreement") was terminated since the Group could not reach agreement on re-negotiation of the terms of the Agreement with the vendors. The termination notice was served on 23rd December, 2008. A supplemental loan agreement and the deed of undertaking have been entered into for the repayment of the refundable deposit and loan to the Group.

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, 2008, the Group maintained cash reserves of HK$74,283,000 (2007: HK$67,660,000) including pledged short-term bank deposits of HK$13,636,000 (2007: HK$26,391,000). As at 31st December, 2008, the equity attributable to equity holders of the Company amounted to HK$313,074,000 (2007: HK$295,085,000) with total borrowings of HK$525,420,000 (2007: HK$462,310,000). The net current liabilities and high gearing ratio was the result of additional borrowing obtained for financing the refundable deposit and loan for the Agreement.

Subsequent to the balance sheet date, the Group has placed 145 million new shares at HK$0.27 per share to raise a total of HK$39,150,000 to strengthen its capital base and reduce borrowings. The placing was completed in January 2009.

Foreign Exchange Fluctuation

The Group's operations are mainly located in mainland China and its transactions, related working capital and borrowing 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 arises.

Charges on Assets

As of 31st December, 2008, buildings, land use rights, trade receivables and short-term bank deposits with respective carrying values of HK$71,300,000 (2007: nil), HK$16,949,000 (2007: nil), HK$3,409,000 (2007: nil) and HK$13,636,000 (2007: HK$26,391,000) were pledged to banks and financial institutions as collateral mainly to secure short term credit facilities granted to the Group.

EMPLOYEES AND REMUNERATION POLICIES

As of 31st December, 2008, the Group, including its subsidiaries but excluding its associates, employed 559 (2007: 634) 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

2009 is expected to be a difficult year with weaker consumer and investor confidence coupled with continued adjustments in the equity and property markets in China. With the finalization of the State's RMB4 trillion fiscal stimulus package, together with the implementation of the supportive RMB18 trillion regional investment projects, signs of recovery have emerged. Although the acquisition of Redstone had been terminated, it is still the intention of the Group to diversify into business ventures with good potential for growth. Hence, the Group will continue to identify investment opportunities in companies and businesses in Hong Kong and China that would bring in good cash flow, strong earnings and/or capital appreciation to the Group to enhance shareholder value.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31st December, 2008, 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, 2008. 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 2008 Annual Report which will be sent to the Shareholders in April 2009.

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, 2008.

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, 2008 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, 2008.

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

Hong Kong, 22nd April, 2009

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.