



上海聯合水泥股份有限公司  
Shanghai Allied Cement Limited

( Stock Code : 1060 )

INTERIM REPORT 2009

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, 2009 were as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

	Notes	Six months ended 30th June, 2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
<b>Continuing operation:</b>			
Turnover	3	247,019	242,320
Cost of sales		<u>(225,307)</u>	<u>(227,908)</u>
Gross profit		21,712	14,412
Other income		21,536	18,980
Bad and doubtful debts recovered		343	2,457
Distribution costs		(3,190)	(4,088)
Administrative expenses		(20,566)	(18,159)
Impairment loss recognised on a disposal group classified as held for sale	13	(206,897)	–
Finance costs	4	<u>(25,631)</u>	<u>(43,155)</u>
Loss before taxation		(212,693)	(29,553)
Taxation credit (charge)	5	<u>3,107</u>	<u>(259)</u>
Loss from continuing operation		(209,586)	(29,812)
<b>Discontinued operation:</b>			
Loss for the period from discontinued operation	6	–	(119)
Loss for the period	7	(209,586)	(29,931)
<b>Other comprehensive income for the period:</b>			
Exchange difference arising on translation to presentation currency		–	31,164
Total comprehensive income and expense for the period		<u>(209,586)</u>	<u>1,233</u>
Loss for the period attributable to:			
Owners of the Company		(211,586)	(30,357)
Minority interests		<u>2,000</u>	<u>426</u>
		<u>(209,586)</u>	<u>(29,931)</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
 (continued)  
 FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

	Notes	Six months ended 30th June, 2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Total comprehensive income and expense attributable to:			
Owners of the Company		<b>(211,586)</b>	(11,729)
Minority interests		<b>2,000</b>	12,962
		<b>(209,586)</b>	1,233
		<b>HK cents</b>	HK cents
<b>Loss per share</b>	9		
From continuing and discontinued operations – Basic		<b>(20.41)</b>	(3.47)
From continuing operation – Basic		<b>(20.41)</b>	(3.46)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2009

	Notes	At 30th June, 2009 HK\$'000 (unaudited)	At 31st December, 2008 HK\$'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	1,058	471,596
Prepaid lease payments on land use rights		–	16,510
Goodwill		–	69,479
Mining right		–	7,770
Deposits paid for acquisition of subsidiaries	18(a), (b)	19,602	–
		<b>20,660</b>	<b>565,355</b>
<b>CURRENT ASSETS</b>			
Properties held for sale		–	1,333
Prepaid lease payments on land use rights		–	439
Inventories		–	48,554
Trade and other receivables and deposits	11	47,545	228,240
Refundable deposit and loan receivable	12	191,820	241,219
Prepayments		732	18,604
Tax recoverable		–	721
Pledged short-term bank deposits		–	13,636
Bank balances and cash		69,524	60,647
		<b>309,621</b>	<b>613,393</b>
Assets classified as held for sale	13	717,979	–
		<b>1,027,600</b>	<b>613,393</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables and deposits received	14	32,214	94,647
Amount due to former ultimate holding company		240	14,820
Amount due to a minority shareholder		–	4,876
Amount due to a related company		2,817	2,283
Tax liabilities		1,345	1,377
Borrowings due within one year	15	226,446	515,079
		<b>263,062</b>	<b>633,082</b>
Liabilities associated with assets classified as held for sale	13	331,913	–
		<b>594,975</b>	<b>633,082</b>
<b>NET CURRENT ASSETS (LIABILITIES)</b>		<b>432,625</b>	<b>(19,689)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>453,285</b>	<b>545,666</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

AT 30TH JUNE, 2009

		At 30th June, 2009 HK\$'000 (unaudited)	At 31st December, 2008 HK\$'000 (audited)
<b>CAPITAL AND RESERVES</b>			
Share capital	16	<b>327,898</b>	182,349
Reserves		<b>(60,679)</b>	130,725
Equity attributable to owners of the Company		<b>267,219</b>	313,074
Minority interests	13	<b>186,066</b>	192,882
<b>TOTAL EQUITY</b>		<b>453,285</b>	505,956
<b>NON-CURRENT LIABILITIES</b>			
Amount due to a minority shareholder		-	450
Borrowings due after one year	15	-	10,341
Deferred taxation		-	28,919
		-	39,710
		<b>453,285</b>	545,666

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Translation reserve HK\$'000	Merger reserve HK\$'000 (Note a)	Capital reserve HK\$'000 (Note b)	Other reserves HK\$'000	Retained profits (accumulated losses) HK\$'000 (Note c)	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st January, 2008 (audited)	182,349	-	918	44,203	26,589	1,799	824	14,108	24,295	295,085	186,677	481,762
(Loss) profit for the period	-	-	-	-	-	-	-	-	(30,357)	(30,357)	426	(29,931)
Exchange difference arising on translation to presentation currency	-	-	-	-	18,628	-	-	-	-	18,628	12,536	31,164
Total comprehensive income and expense for the period	-	-	-	-	18,628	-	-	-	(30,357)	(11,729)	12,962	1,233
Transfer to other reserves	-	-	-	-	-	-	-	1,017	(1,017)	-	-	-
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	(5,232)	(5,232)
Dividend paid to a minority shareholder	-	-	-	-	-	-	-	-	-	-	(7,731)	(7,731)
At 30th June, 2008 (unaudited)	182,349	-	918	44,203	45,217	1,799	824	15,125	(7,079)	283,356	186,676	470,032
At 1st January, 2009 (audited)	182,349	-	918	44,203	42,091	1,799	824	15,125	25,765	313,074	192,882	505,956
(Loss) profit for the period and total comprehensive income and expense for the period	-	-	-	-	-	-	-	-	(211,586)	(211,586)	2,000	(209,586)
Transfer to other reserves	-	-	-	-	-	-	-	912	(912)	-	-	-
Dividend paid to a minority shareholder	-	-	-	-	-	-	-	-	-	-	(8,816)	(8,816)
Shares issued	145,549	24,760	-	-	-	-	-	-	-	170,309	-	170,309
Transaction costs attributable to issue of shares	-	(4,578)	-	-	-	-	-	-	-	(4,578)	-	(4,578)
At 30th June, 2009 (unaudited)	327,898	20,182	918	44,203	42,091	1,799	824	16,037	(186,733)	267,219	186,066	453,285

### Notes:

- The merger reserve of the Group represents the difference between the nominal amount of the share capital of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the share capital issued by the Company as consideration for the acquisition under the reorganisation.
- Other reserves comprise reserve fund and enterprise expansion fund of some subsidiaries established in the People's Republic of China (the "PRC") and the effect of fair value adjustment at initial recognition of interest-free amount due to the former ultimate holding company. The reserve fund is to be used to expand the enterprise's working capital. When the enterprise suffers losses, the reserve fund may be used to make up unrecovered losses under special circumstances. The enterprise expansion fund is to be used for business expansion and, if approved, can also be used to increase capital.
- Remittance outside the PRC of retained profits of the subsidiaries established in the PRC is subject to approval of the local authorities and the availability of foreign currencies generated and retained by these subsidiaries.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

	<b>Six months ended 30th June,</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>20,982</b>	12,405
<b>INVESTING ACTIVITIES</b>		
Decrease in refundable deposit and loan receivable	62,738	–
Decrease in pledged bank deposits	2,272	14,550
Acquisition of additional interest in a subsidiary	–	(5,202)
Deposits paid for acquisition of subsidiaries	(19,602)	–
Deposit received for disposal of subsidiaries	20,000	–
Other investing cash flows	(694)	(10,945)
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>	<b>64,714</b>	(1,597)
<b>FINANCING ACTIVITIES</b>		
New loans raised	63,175	133,845
Repayments of loans	(190,353)	(99,616)
Proceeds from issue of shares	170,309	–
Expenses on issue of shares	(46)	–
Other financing cash flows	(24,585)	(43,893)
<b>NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES</b>	<b>18,500</b>	(9,664)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>104,196</b>	1,144
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>60,647</b>	41,269
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>–</b>	2,170
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash</b>	<b>164,843</b>	44,583
Bank balances and cash	69,524	44,583
Bank balances and cash included in assets classified as held for sale	95,319	–
	<b>164,843</b>	44,583

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

### **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 (the "Stock Exchange") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

### **2. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared on 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 consolidated financial statements for the year ended 31st December, 2008 except for the following accounting policy which was adopted in the period ended 30th June, 2009.

#### **Disposal group classified as held for sale**

Disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the disposal group is available for immediate sale in its present condition.

Disposal group classified as held for sale is measured at the lower of the disposal group's the then carrying amount and fair value less costs to sell.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations issued by the HKICPA, which are effective for the Group's financial year beginning on 1st January, 2009.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 and HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) – INT 9 and HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – INT 13	Customer loyalty programmes
HK(IFRIC) – INT 15	Agreements for the construction of real estate
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 "Segment Reporting", required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3). The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvement to HKFRSs issued in 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2009 <sup>2</sup>
HKAS 27 (Revised 2008)	Consolidated and separate financial statements <sup>1</sup>
HKAS 39 (Amendment)	Eligible hedged items <sup>1</sup>
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters <sup>3</sup>
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions <sup>3</sup>
HKFRS 3 (Revised 2008)	Business combinations <sup>1</sup>
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners <sup>1</sup>
HK(IFRIC) – INT 18	Transfers of assets from customers <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st July, 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1st July, 2009 or 1st January, 2010, as appropriate.

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2010.

<sup>4</sup> Effective for transfers on or after 1st July, 2009.

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1st January, 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of these revised standards, amendments or new interpretations will have no material impact on the results and the financial position of the Group.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

### 3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1st January, 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, represented by the board of directors of the Group, in order to allocate resources to segments and to assess their performance. In contrast, the predecessor standard, HKAS 14 "Segment Reporting", required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments.

The application of HKFRS 8 has neither resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor changed the basis of measurement of segment profit or loss.

The revenue streams are the basis of internal reports about components of the Group that are regularly reviewed by the board of directors in order to allocate resources to segments and to assess their performance.

For the period ended 30th June, 2008, the Group was organised into two operating segments: (i) distribution and manufacturing of cement and clinker and (ii) distribution and manufacturing of slag powder. As mentioned in note 6 to the condensed consolidated financial statements, the segment of distribution and manufacturing of slag powder was classified as discontinued operation as at 30th June, 2008. For the period ended 30th June, 2009, the Group solely operates in distribution and manufacturing of cement and clinker. Therefore, no segment information is presented. For the year ending 31st December, 2009, the Group expects there will be new reporting segments upon completion of acquisition of subsidiaries as set out in notes 18 and 21.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(continued)  
FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

**3. SEGMENT INFORMATION** (continued)

The segment information for the period ended 30th June, 2008 is presented below.

	Continuing operation	Discontinued operation	
	Distribution and manufacturing of cement and clinker HK\$'000 (unaudited)	Distribution and manufacturing of slag powder HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
<u>For the six months ended 30th June, 2008</u>			
Segment revenue	242,320	4,402	246,722
Segment profit (loss)	12,253	(119)	12,134
Other income	5,937	–	5,937
Central administrative expenses	(4,588)	–	(4,588)
Finance costs	(43,155)	–	(43,155)
Loss before taxation	(29,553)	(119)	(29,672)
Taxation charge	(259)	–	(259)
Loss for the period	(29,812)	(119)	(29,931)

All of the segment revenue reported above is from external customers.

Segment profit (loss) represents the profit (loss) generated by each segment without allocation of other income, central administrative expenses and finance costs. This is the measure reported to the board of directors for the purpose of resource allocation and performance assessment.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

### 4. FINANCE COSTS

	Continuing operation	
	Six months ended 30th June,	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings wholly repayable within five years	5,146	5,933
Other borrowings	20,472	37,222
Imputed interest on interest-free amount due to a minority shareholder	13	–
Total borrowing costs	<u>25,631</u>	<u>43,155</u>

### 5. TAXATION CREDIT (CHARGE)

	Continuing operation	
	Six months ended 30th June,	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
PRC Enterprise Income Tax:		
Current period	(1,353)	(831)
Overprovision in prior year	3,410	–
	<u>2,057</u>	<u>(831)</u>
Deferred tax:		
Current period	1,050	572
	<u>3,107</u>	<u>(259)</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both periods.

During the period ended 30th June, 2009, a subsidiary established in the PRC was recognised as a "High and New Technology Enterprise". In accordance with the "Notice of the State Tax Bureau of the Ministry of Finance Regarding Certain Preferential Treatment Policies on Enterprise Income Tax", this subsidiary is subject to income tax rate of 15% (six months ended 30th June, 2008: 25%).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

### 6. DISCONTINUED OPERATION

During the period ended 30th June, 2008, the Group entered into the share transfer agreement to sell its interest in the registered and paid-up capital of Beijing Shanglian Shoufeng Construction Materials Limited ("BSSCML"), an indirect subsidiary of the Company which was beneficially owned as to 80% by the Group and 20% by the purchaser (the "Purchaser"), for an aggregate consideration of RMB4,700,000 to be satisfied in cash. The disposal was completed and the control of BSSCML was passed to the Purchaser during the year ended 31st December, 2008.

BSSCML carries out all of the Group's distribution and manufacturing of slag powder and the disposal of the 80% interest in BSSCML represents a discontinued operation.

The results of the distribution and manufacturing of slag powder operation for the period from 1st January, 2008 to the date of disposal, which have been included in the consolidated statement of comprehensive income, were as follows:

	Six months ended 30th June, 2008 HK\$'000 (unaudited)
Turnover	4,402
Cost of sales	(4,455)
Other income	466
Distribution costs	(236)
Administrative expenses	(296)
Loss before taxation	(119)
Taxation	—
Loss for the period	(119)

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(continued)  
FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

**7. LOSS FOR THE PERIOD**

	Continuing operation		Discontinued operation		Consolidated	
	Six months ended		Six months ended		Six months ended	
	30th June,		30th June,		30th June,	
	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging (crediting):						
Amortisation of mining right (included in administrative expenses)	86	86	-	-	86	86
Depreciation of property, plant and equipment	14,489	13,948	-	398	14,489	14,346
Loss on disposal of property, plant and equipment	158	-	-	-	158	-
Release of prepaid lease payments on land use rights	220	220	-	-	220	220
Interest income	(13,766)	(3,389)	-	(1)	(13,766)	(3,390)

**8. DIVIDEND**

No dividends were paid, declared or proposed during the reported period. The directors do not recommend the payment of an interim dividend.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

### 9. LOSS PER SHARE

#### From continuing and discontinued operations

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

	Six months ended 30th June,	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company for the purpose of basis loss per share	<b>(211,586)</b>	(30,357)
	<b>Number of shares</b>	Number of shares
Weighted average number of ordinary shares for the purpose of basic loss per share	<b>1,036,800,784</b>	875,274,052

The weighted average number of ordinary shares for the purpose of basic loss per share for the period ended 30th June, 2009 has taken into account the placement held on 19th January, 2009 and adjusted for the open offer completed on 29th June, 2009, whereas the weighted average number of ordinary shares for the period ended 30th June, 2008 has been adjusted for the open offer. Details of the open offer are set out in note 16.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

### 9. LOSS PER SHARE (continued)

#### From continuing operation

The calculation of the basic loss per share from continuing operation attributable to the owners of the Company is based on the following information:

Loss figures are calculated as follows:

	Six months ended 30th June,	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company	(211,586)	(30,357)
Less: Loss for the period from discontinued operation	—	(95)
Loss for the purpose of basic loss per share from continuing operation	<u>(211,586)</u>	<u>(30,262)</u>

The denominators used are the same as those detailed above for basic loss per share.

#### From discontinued operation

For the six months ended 30th June, 2008, basic loss per share from discontinued operation was HK0.01 cent per share. The calculation of the basic loss per share for the discontinued operation was based on the loss for the period of HK\$95,000 attributable to the owners of the Company and the denominators detailed above for basic loss per share.

### 10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment at a cost of approximately HK\$1,374,000 (six months ended 30th June, 2008: HK\$11,632,000).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

### 11. TRADE AND OTHER RECEIVABLES AND DEPOSITS

At 30th June, 2009, the entire balance (31st December, 2008: HK\$11,871,000) represented other receivables and deposits. The Group gives its trade customers credit periods normally ranging from 120 days to 365 days. All trade receivables amounting to HK\$195,252,000 have been classified as part of a disposal group held for sale as at 30th June, 2009.

The following is an aged analysis of trade receivables, net of allowance for doubtful debts:

	<b>At 30th June, 2009 HK\$'000 (unaudited)</b>	<b>At 31st December, 2008 HK\$'000 (audited)</b>
0 – 90 days	<b>134,851</b>	173,285
91 – 180 days	<b>29,759</b>	33,830
181 – 365 days	<b>29,440</b>	7,364
Over 365 days	<b>1,202</b>	1,890
	<b>195,252</b>	216,369

There was no discounted bills receivable at 30th June, 2009. As at 31st December, 2008, discounted bills receivable with full recourse of approximately HK\$32,740,000 was included in trade receivables.

### 12. REFUNDABLE DEPOSIT AND LOAN RECEIVABLE

At 30th June, 2009, the amount represented refundable deposit of HK\$150,000,000 paid to Sunnysino (B.V.I.) Limited ("Sunnysino") for the acquisition of Redstone Gold Limited ("Redstone") (31st December, 2008: refundable deposit of HK\$150,000,000 paid to Sunnysino and loan of HK\$50,000,000 to Redstone) and interest receivable of approximately HK\$41,820,000 (31st December, 2008: HK\$41,219,000) due from Sunnysino and Redstone with details as set out in note 18. During the six months ended 30th June, 2009, loan of HK\$50,000,000 and accrued interest of approximately HK\$12,738,000 were settled. Sunnysino has verbally agreed with the Company to repay the deposit on or before 31st December, 2009. Subsequent to 30th June, 2009, the Group received interest payment amounting to approximately HK\$14 million.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

### 12. REFUNDABLE DEPOSIT AND LOAN RECEIVABLE (continued)

The refundable deposit and loan bear interest at 15% (31st December, 2008: 15%) per annum accrued from the date of receipt of such amount up to and including the date of actual repayment. They are secured by share mortgage over 90% of the issued share capital of Redstone and personal guarantee by the beneficial owner of such 90% issued share capital of Redstone. During the period ended 30th June, 2009, the Group obtained additional securities from the borrowers. On 19th January, 2009, the Company and its subsidiary entered into separate agreement with Redstone and 雲南斗月礦業有限公司 (Yunnan Crescent Mining Company Limited) ("Yunnan Crescent") for share mortgage of 85% of the equity interests of Yunnan Crescent. Yunnan Crescent is a non-wholly owned subsidiary of Redstone and its principal activity is gold mining in the PRC. Yunnan Crescent has two gold mines with mining licences in Yunnan Province of the PRC. On 3rd April, 2009, a subsidiary of the Company entered into an agreement with the shareholder of Sunnysino for additional share mortgages over his 66.6% and 69% equity interests in two PRC companies respectively. These two PRC companies owned 60% interest in a property project in Shanghai and 60% interest in a gold mine with mining license in Guangxi Province of the PRC respectively. Up to the date of the interim report, the registration of the share mortgage of Yunnan Crescent with the relevant PRC authorities has not been completed and is still under process.

### 13. A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 21st May, 2009, the Company entered into a share transfer agreement (the "Share Transfer Agreement") with Sunwealth Holdings Limited ("SHL"), a wholly-owned subsidiary of Tian An China Investments Company Limited which is listed on the Main Board of the Stock Exchange, which conditionally agreed to purchase and the Company conditionally agreed to sell, the entire issued share capital of a wholly-owned subsidiary, Shanghai Allied Cement Holdings Limited ("SACHL"), and the shareholder's loan owed by SACHL to the Company as at the date of the Share Transfer Agreement with carrying value of approximately HK\$278,504,000 for an aggregate consideration of HK\$200,000,000. A refundable deposit of HK\$20,000,000 was received during the current period and included as trade and other payables and deposits received (note 14). The remaining balance of the aggregate consideration of HK\$180,000,000 will be settled in cash upon completion of the disposal. The disposal was completed on 16th September, 2009.

As at 30th June, 2009, the assets and liabilities of SACHL were expected to be sold within twelve months, and have been classified as a disposal group held for sale and separately presented in the condensed consolidated statement of financial position. The operation is included in the Group's distribution and manufacturing of cement and clinker segment for segment reporting purpose.

The net proceed of disposal is expected to be less than the net carrying amount of the relevant assets and liabilities and, accordingly, an aggregate impairment loss of HK\$206,897,000 was recognised during the six months ended 30th June 2009.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

### 13. A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)

Major classes of assets and liabilities of the distribution and manufacturing of cement and clinker as at 30th June, 2009 were as follows:

	<b>At 30th June, 2009</b> HK\$'000 (unaudited)
Property, plant and equipment	457,012
Prepaid lease payments on land use rights	16,729
Mining right	7,684
Properties held for sale	1,333
Inventories	51,831
Trade and other receivables and deposits (note 11)	201,897
Prepayments	12,228
Pledged short-term bank deposits	11,364
Bank balances and cash	95,319
	<u>855,397</u>
Less: Impairment loss recognised (note)	<u>(137,418)</u>
Total assets classified as held for sale	<u>717,979</u>
Trade and other payables and deposits received (note 14)	102,123
Amount due to former ultimate holding company	14,984
Dividend payable to a minority shareholder	6,932
Amount due to a minority shareholder	6,824
Tax liabilities	1,385
Borrowings	171,796
Deferred taxation	27,869
	<u>331,913</u>
Total liabilities associated with assets classified as held for sale	<u>331,913</u>
Net assets classified as held for sale	<u>386,066</u>
Consideration	200,000
Minority interests	186,066
	<u>386,066</u>

Note: Impairment loss recognised on the disposal group classified as held for sale is HK\$206,897,000, of which HK\$69,479,000 is recognised as impairment loss on goodwill arising from acquisition of the disposal group in previous years.

Except for the impairment loss recognised, the total assets of the Group as at the interim report date do not differ significantly since the latest annual report date.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

### 14. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

At 30th June, 2009, the entire balance (31st December, 2008: HK\$46,704,000) represented other payables and deposits received. All trade payables amounting to HK\$47,263,000 have been classified as part of a disposal group held for sale at 30th June, 2009.

The following is an aged analysis of trade payables:

	<b>At 30th June, 2009 HK\$'000 (unaudited)</b>	<b>At 31st December, 2008 HK\$'000 (audited)</b>
0 – 90 days	<b>34,556</b>	15,300
91 – 180 days	<b>9,577</b>	29,505
181 – 365 days	<b>1,533</b>	1,177
Over 365 days	<b>1,597</b>	1,961
	<b>47,263</b>	47,943

Deposit received of HK\$20,000,000 as at 30th June, 2009 in relation to the Share Transfer Agreement shall be returned by the Company to SHL, together with accrued interest at a rate of 15% per annum, calculated from the date of receipt of such deposit within 10 business days in the event of non-completion of the Share Transfer Agreement, except in the case of a termination by the Company due to a default by SHL whereupon such deposit will be forfeited.

### 15. BORROWINGS

During the period, the Group obtained new borrowings of approximately HK\$63,175,000 (30th June, 2008: HK\$133,845,000) and repaid borrowings of approximately HK\$190,353,000 (30th June, 2008: HK\$99,616,000). The borrowings raised are used to finance the operations of the Group. As at 31st December, 2008, included in new bank borrowings was a total amount of approximately HK\$32,740,000 which represented the proceeds from discounted bills receivable.

In respect of a bank loan owed by SACHL with a carrying value of HK\$71,000,000 as at 31st December, 2008, the Group breached a term of the bank loan which was related to the debt-equity ratio of the Group (the "Term"). In respect of the breach as at 31st December, 2008, the directors of the Company have informed the lender and commenced a renegotiation of the terms of the loan with the relevant bank. Such bank loan was included in current liabilities as at 31st December, 2008 in accordance with its repayment schedule and classified as part of a disposal group held for sales as at 30th June, 2009. Up to the date of the interim report, the renegotiation has not been concluded. At 30th June, 2009, the Group complied with the Term and did not breach any loan covenants.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
 (continued)  
 FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

**16. SHARE CAPITAL**

	<b>Number of shares</b>	<b>Share capital HK\$'000</b>
Ordinary shares of HK\$0.25 each		
Authorised:		
At 1st January, 2008, 31st December, 2008 and <b>30th June, 2009</b>	<u>2,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1st January, 2008 and 31st December, 2008	729,395,043	182,349
Issued by placing of new shares (note 1)	145,000,000	36,250
Issued by open offer of new shares (note 2)	<u>437,197,521</u>	<u>109,299</u>
<b>At 30th June, 2009</b>	<b><u>1,311,592,564</u></b>	<b><u>327,898</u></b>

Notes:

- (1) On 19th January, 2009, the Company placed ordinary shares of 145,000,000 to independent investors at a price of HK\$0.27 per share.
- (2) On 15th May, 2009, the Company proposed an open offer of 437,197,521 ordinary shares of the Company at a price of HK\$0.30 per share, on the basis of one offer share for every two existing shares held as at 4th June, 2009. The open offer was completed on 29th June, 2009.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

### 17. OPERATING LEASE COMMITMENTS

In June 2001, the Group entered into an arrangement with a third party in the PRC to lease the production facilities for manufacture of cement with a term of twenty years. Other operating leases and rentals are negotiated for an average term of two to eight years.

At 30th June, 2009, the Group had commitments for future minimum lease payments under the above arrangement and other non-cancellable operating leases for premises and property, plant and equipment which fall due as follows:

	<b>At 30th June, 2009 HK\$'000 (unaudited)</b>	At 31st December, 2008 HK\$'000 (audited)
Not later than one year	<b>2,592</b>	1,648
Later than one year and not later than five years	<b>6,591</b>	6,591
Later than five years	<b>11,454</b>	12,277
	<b>20,637</b>	20,516

At 30th June, 2009, operating lease commitments of approximately HK\$19,692,000 were entered into by the disposal group, SACHL.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

### 18. COMMITMENTS

- (a) On 28th April, 2009, a subsidiary of the Company entered into a conditional sale and purchase agreement with an independent third party, Mr. Yuen Hoi Po ("Mr. Yuen"), pursuant to which Mr. Yuen conditionally agreed to sell and the subsidiary of the Company conditionally agreed to purchase the entire issued share capital of Right Point International Limited ("Right Point") and Mr. Yuen's interest in all the outstanding shareholder's loan advanced or to be advanced to Right Point for an aggregate consideration of RMB26,000,000 (equivalent to approximately HK\$29.4 million). An initial refundable deposit of RMB6,000,000 (equivalent to approximately HK\$6,818,000) was paid during the current period. The balance of the consideration in the sum of RMB20,000,000 (equivalent to approximately HK\$22.6 million) will be settled in cash by the Group upon completion. Upon completion, Right Point will have 25% equity interest in Guangxi Jinhua Hotel 廣西錦華大酒店. Up to the date of the interim report, this acquisition is not yet completed.
- (b) On 19th June, 2009, a subsidiary of the Company entered into a series of arrangements and agreements with independent third parties to acquire 75% equity interests of 北京中盛千里傳媒文化有限公司 ("中盛千里") for an aggregate cash consideration of RMB11,250,000 (equivalent to approximately HK\$12,784,000), of which RMB10,125,000 (equivalent to approximately HK\$11.5 million) will be injected into the registered capital of 中盛千里. The principal activities of 中盛千里 are planning, production, publication and investment of television drama and film and organising cultural and artistic exchange activities in the PRC. The cash consideration was paid during the current period upon completion of certain conditions in the agreements and the acquisition of 中盛千里 was completed on 9th July, 2009.
- (c) There was no capital expenditure commitment at 30th June, 2009. At 31st December, 2008, the Group had capital expenditure commitments of approximately HK\$6,801,000 in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

### 19. RELATED PARTY TRANSACTIONS

During the period ended 30th June, 2009, a non-wholly owned subsidiary of the Company paid a leasing fee of approximately HK\$3,255,000 (six months ended 30th June, 2008: HK\$2,911,000) to a related company which is 40% owned by the minority shareholder of that non-wholly owned subsidiary.

In addition, the Group has entered into the following related party transactions:

	<b>Six months ended 30th June,</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>(i)</b> Administrative expenses to a related company, with common directorship of the Company	<b>534</b>	–
<b>(ii) Key management compensation</b>		
Short-term employee benefits	<b>1,838</b>	1,565
Post employment benefit	<b>42</b>	55

### 20. PLEDGE OF ASSETS

- (i) The Group pledged its buildings included in assets classified as held for sale with carrying amount of approximately RMB69.3 million (31st December, 2008: RMB71.3 million) to secure for a bank loan of approximately RMB15.5 million (31st December, 2008: RMB19.5 million) granted to a third party who then lent RMB12.3 million (31st December, 2008: RMB15.5 million) to the Group.
- (ii) The Group pledged its land use rights included in assets classified as held for sale with carrying amount of HK\$16,729,000 (31st December, 2008: HK\$16,949,000) to secure for a bank loan of approximately HK\$77,273,000 (31st December, 2008: HK\$77,273,000) granted to the Group.
- (iii) No trade receivable was pledged at 30th June, 2009. As at 31st December, 2008, the Group pledged trade receivables of approximately HK\$3,409,000 to secure for a bank loan of approximately HK\$3,409,000 granted to the Group.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

### 21. EVENTS AFTER THE END OF THE INTERIM PERIOD

- (i) On 3rd July, 2009, a subsidiary of the Company entered into a conditional equity transfer agreement with an independent third party, He Peng ("Mr. He"), pursuant to which Mr. He agreed to sell and the subsidiary of the Company agreed to purchase the entire issued share capital of Year Wealth Limited for a consideration of HK\$36,000,000 which will be settled by the issuance of 60,000,000 ordinary shares of the Company at HK\$0.6 each by the Company. The Company will also procure a bank having licence to operate banking business in both Hong Kong and the PRC to advance a loan to a PRC company in an amount equal to the RMB40,000,000 (or approximately HK\$45.5 million) to finance the capital injection by the PRC company for 51% equity interests in 西安金鼎影視文化有限公司 ("西安金鼎"). The Company will provide security to the bank for the loan. Pursuant to the conditional equity transfer agreement, upon completion of the acquisition, the Company will have indirect control and an effective interest of 100% in the PRC company which, in turn, will own 51% equity interests in 西安金鼎. 西安金鼎 is a limited liability company established in the PRC and is principally engaged in planning, production, publication and investment of television drama and film and organising cultural and artistic exchange activities in the PRC. This transaction has not been completed at the date of this report.
- (ii) On 12th July, 2009, a subsidiary of the Company entered into a share transfer agreement with several independent third parties, pursuant to which the vendors agreed to sell and the subsidiary of the Company agreed to purchase 51% equity interests of 天津唐圖科技有限公司 ("天津唐圖") for an aggregate cash consideration of RMB11,000,000 (equivalent to approximately HK\$12.5 million), of which RMB9,000,000 (equivalent to approximately HK\$10.2 million) will be injected into the registered capital of 天津唐圖. This transaction has not been completed at the date of this report.
- (iii) On 15th July, 2009, the board of directors proposed to change the English name of the Company from "Shanghai Allied Cement Limited" to "ChinaVision Media Group Limited" and to adopt a new Chinese name "文化中國傳播集團有限公司" in place of the existing Chinese name "上海聯合水泥股份有限公司" for identification. The change of the Company name was approved by the shareholders in a special general meeting held on 9th September, 2009.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

### 21. EVENTS AFTER THE END OF THE INTERIM PERIOD (continued)

- (iv) On 16th July, 2009, the Company and Sun Hung Kai International Limited (the "Placing Agent") entered into a conditional placing agreement pursuant to which the Placing Agent agreed to place, on a fully underwritten basis, 170,000,000 shares of the Company to independent investors at HK\$0.52 per share. The placement was completed on 29th July, 2009.
- (v) Pursuant to an ordinary resolution passed at the special general meeting held on 7th August, 2009, the authorised share capital of the Company was increased from HK\$500,000,000 divided into 2,000,000,000 shares of par value HK\$0.25 each to HK\$2,500,000,000 divided into 10,000,000,000 shares of par value HK\$0.25 each by the creation of an additional 8,000,000,000 new shares of HK\$0.25 each in the capital of the Company.
- (vi) On 12th September, 2009, the Company and a subsidiary of the Company entered into a conditional equity transfer agreement with Ideal Growth Investments Limited ("Ideal Growth"), pursuant to which Ideal Growth agreed to sell and the subsidiary of the Company agreed to purchase the entire issued share capital of Prefect Strategy International Limited for a consideration of HK\$400,000,000 which will be partly settled in cash of HK\$50,000,000 and partly by the issuance of convertible note in the principal amount of HK\$350,000,000 by the Company. Pursuant to the conditional equity transfer agreement, upon completion of the acquisition, the Company will have indirect control and an effective interest of 70% in 北京北大文化發展有限公司 ("北大文化") which in turn, holds 50% equity interests in 京華文化傳播有限公司 ("京華文化"). Both 北大文化 and 京華文化 are companies established in the PRC with limited liability. Upon completion of the acquisition, 北大文化 will have no assets and liabilities (including contingent liabilities) except for its 50% equity interests in 京華文化, which mainly engages in the operation of Beijing Times, advertising agency business and operating the newspaper website in the PRC. The acquisition constitutes a very substantial acquisition for the Company under the Rules Governing the Listing of Securities on the Stock Exchange.

## **INTERIM DIVIDEND**

The directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2009 (2008: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL RESULTS**

For the six months ended 30th June, 2009, the Group recorded a turnover HK\$247,019,000 (2008: HK\$242,320,000), representing an increase of 1.9% as compared to that for the same period of last year and achieved a net loss attributable to the shareholders of the Company of HK\$211,586,000, as compared to a loss of HK\$30,357,000 for the same period of last year. Excluding the impairment loss of HK\$206,897,000 recognised on a disposal group classified as held for sale, the net loss attributable to the shareholders of the Company in the current period is HK\$4,689,000.

Loss per share (basic) from continuing and discontinued operation for the period was HK20.41 cents (30th June, 2008: loss of HK3.47 cents) and the net asset value per share was HK\$0.20 (30th June, 2008: HK\$0.39).

### **REVIEW OF OPERATIONS**

During the period ended 30th June, 2009, the Group was primarily engaged in the distribution and manufacture of cement and clinker with its principal market in mainland China.

### **CEMENT AND CLINKER BUSINESS**

For the six months ended 30th June, 2009, the Group's sales volume of cement and clinker amounted to 1,187,200 tons (2008: 1,043,000 tons), representing an increase of 13.8% as compared to that for the same period of last year, and the turnover was HK\$247,019,000 (2008: HK\$242,320,000), representing an increase of 1.9% as compared to that for the same period of last year.

The segment profit was HK\$13,265,000 (2008: HK\$12,253,000), representing an increase of 8.2% as compared to that for the same period of last year. The improvement of the results is mainly due to effective cost control, particularly the positive effect from the reduction of coal price.

## **MANAGEMENT DISCUSSION AND ANALYSIS** (continued)

### **MEDIA BUSINESS**

During the six months ended 30th June, 2009 and subsequent to the period end, the Group has entered into several conditional acquisition agreements and arrangements (the "Acquisitions") to acquire indirect control and equity interests in certain PRC established companies, which mainly engage in the operation of newspaper, advertising agency business, newspaper website, network and mobile game business, planning, production, publication and investment of television drama and film business in the PRC.

For the period ended 30th June, 2009, the Group's results have not incorporated any of those from the Acquisitions as the Acquisitions were not yet completed as at 30th June, 2009.

### **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, loans from principal bankers and financial institutions and equity financing. As at 30th June, 2009, the Group maintained cash reserves of HK\$69,524,000 (30th June, 2008: HK\$58,223,000). As at 30th June, 2009, the equity attributable to equity holders of the Company amounted to HK\$267,219,000 (30th June, 2008: HK\$283,356,000) with total borrowings of HK\$226,446,000 (30th June, 2008: HK\$505,047,000). Following the placement and open offer completed during the current period, the gearing ratio has been substantially reduced. The Group has also twisted from net current liabilities to net current assets.

Subsequent to the reporting date, the Group has placed 170 million new shares at HK\$0.52 per share to raise a total of HK\$88.4 million to further strengthen its capital base and to expand the Group's media related business and investment. The placing was completed in July 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 arise.

#### **Charges on Assets**

As of 30th June, 2009, buildings, land use rights and short-term bank deposits with respective carrying value of RMB69,300,000 (30th June, 2008: RMB71,300,000), HK\$16,729,000 (30th June, 2008: Nil) and HK\$11,364,000 (30th June, 2008: HK\$13,640,000) were pledged to banks and financial institutions as collateral mainly to secure short term credit facilities granted to the Group.

## **MANAGEMENT DISCUSSION AND ANALYSIS** (continued)

### **EMPLOYEES AND REMUNERATION POLICIES**

As of 30th June, 2009, the Group, including its subsidiaries but excluding its associates, employed 566 (30th June, 2008: 682) 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 period under review, 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.

### **CHANGE OF COMPANY NAME**

A special resolution approving the proposed change of company name from “Shanghai Allied Cement Limited” to “ChinaVision Media Group Limited” and the adoption of the new Chinese name “文化中國傳播集團有限公司” (the “Change of Company Name”) was passed at the Special General Meeting of the Company held on 9th September, 2009. The proposed Change of Company Name is subject to the approval of the Registrar of Companies in Bermuda.

The effective date of the Change of Company Name will be the date on which the new name of the Company is entered by the Registrar of Companies in Bermuda on the register of companies in place of its existing name. The Company will carry out the necessary filing procedures with the Registrar of Companies in Hong Kong.

### **PROSPECTS**

While it appears that most of the major markets have been stabilised in the last few months with numerous fiscal and monetary stimulus programs implemented by governments all over the world, it is too soon to expect the financial turmoil is over. The second half of 2009 is still expected to be difficult. China, backed by the finalisation of the State’s RMB4 trillion fiscal stimulus package together with the implementation of the supportive RMB18 trillion regional investment projects, seems to be one of the first economies to recover from the global financial and economic crisis.

Though the Group has completed the disposal of the manufacturing business of cement and clinker on 16th September, 2009, the Group will continue the distribution business of cement and clinker in the PRC. Furthermore, by entering into the Acquisitions, the Group has successfully extended its business in the media sector in the PRC. Management is committed to developing the Group into a modern and innovative media enterprise, geared for innovation in the new media era.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### PROSPECTS (continued)

On 3rd July, 2009, a subsidiary of the Company entered into a conditional equity transfer agreement with an independent third party, He Peng (“Mr. He”), pursuant to which Mr. He agreed to sell and the subsidiary of the Company agreed to purchase the entire issued share capital of Year Wealth Limited for a consideration of HK\$36,000,000 which will be settled by the issuance of 60,000,000 ordinary shares of the Company at HK\$0.6 each by the Company. The Company will also procure a bank having licence to operate banking business in both Hong Kong and the PRC to advance loan to a PRC company in an amount equal to the RMB40,000,000 (or approximately HK\$45.5 million) to finance the capital injection by the PRC company for 51% equity interests in 西安金鼎影視文化有限公司 (“西安金鼎”). The Company will provide security to the bank for the loan. Pursuant to the conditional equity transfer agreement, upon completion of the acquisition, the Company will have indirect control and an effective interest of 100% in the PRC company which in turn, will own 51% equity interests in 西安金鼎. 西安金鼎 is a limited liability company established in the PRC and is principally engaged in planning, production, publication and investment of television drama and film and organising cultural and artistic exchange activities in the PRC. This transaction has not been completed at the date of this report.

On 12th July, 2009, a subsidiary of the Company entered into a share transfer agreement with several independent third parties, pursuant to which the vendors agreed to sell and the subsidiary of the Company agreed to purchase 51% equity interests of 天津唐圖科技有限公司 (“天津唐圖”) for an aggregate cash consideration of RMB11,000,000 (equivalent to approximately HK\$12.5 million), of which RMB9,000,000 (equivalent to approximately HK\$10.2 million) will be injected into the registered capital of 天津唐圖. This transaction has not been completed at the date of this report.

On 12th September, 2009, the Company and a subsidiary of the Company entered into a conditional equity transfer agreement with Ideal Growth Investments Limited (“Ideal Growth”), pursuant to which Ideal Growth agreed to sell and the subsidiary of the Company agreed to purchase the entire issued share capital of Prefect Strategy International Limited for a consideration of HK\$400,000,000 which will be partly settled in cash of HK\$50,000,000 and partly by the issuance of convertible note in the principal amount of HK\$350,000,000 by the Company. Pursuant to the conditional equity transfer agreement, upon completion of the acquisition, the Company will have indirect control and an effective interest of 70% in 北京北大文化發展有限公司 (“北大文化”) which in turn, holds 50% equity interests in 京華文化傳播有限公司 (“京華文化”). Both 北大文化 and 京華文化 are companies established in the PRC with limited liability. Upon completion of the acquisition, 北大文化 will have no assets and liabilities (including contingent liabilities) except for its 50% equity interests in 京華文化, which mainly engages in the operation of Beijing Times, advertising agency business and operating the newspaper website in the PRC. The acquisition constitutes a very substantial acquisition for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Moving forward, the Group’s main mission is to integrate different media related businesses effectively so as to generate maximum synergies among them and to continue to identify investment opportunities in companies and business in Hong Kong and China that would bring in good cash flow, strong earnings and/or capital appreciation to the Group so as to enhance shareholder value.

## INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at 30th June, 2009, the interests and short positions of the directors and chief executives of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Hong Kong (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:–

### Long Position in the shares of the Company

Name of Director	Number of ordinary shares held			Total	Percentage over all issued shares
	Personal interests	Corporate interests	Other interests		
Mr. Zhao Chao ("Mr. Zhao")	–	331,288,020 (Note)	–	331,288,020	25.26%

Note:

Basic Charm Investment Limited, a wholly-owned subsidiary of Rainstone International Limited ("Rainstone"), owns 331,288,020 shares. Mr. Zhao maintains 100% beneficial interests in Rainstone. Accordingly, Mr. Zhao is deemed to have corporate interest in 331,288,020 ordinary shares of the Company.

Save as disclosed above, as at 30th June, 2009, none of the directors, the chief executives of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SHARE OPTIONS

The Company's share option scheme was adopted pursuant to a resolution passed by the shareholders of the Company on 23rd May, 2002. No share option was granted under the share option scheme of the Company during the six months ended 30th June, 2009, nor there any share option outstanding as at 1st January, 2009 and 30th June, 2009.



## INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2009, the following parties had interests or short positions in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:–

### Long Position in the shares of the Company

<b>Name</b>	<b>Capacity</b>	<b>Number of ordinary shares held</b>	<b>Percentage of issued ordinary shares</b>
Mr. Zhao Chao (“Mr. Zhao”)	Held by controlled corporation (Note)	331,288,020	25.26%
Rainstone International Limited	Held by controlled corporation (Note)	331,288,020	25.26%
Basic Charm Investment Limited	Beneficial owner (Note)	331,288,020	25.26%

Note:

Basic Charm Investment Limited, a wholly-owned subsidiary of Rainstone International Limited (“Rainstone”), owns 331,288,020 shares. Mr. Zhao maintains 100% beneficial interests in Rainstone. Accordingly, Mr. Zhao is deemed to have corporate interest in 331,288,020 ordinary shares of the Company.

Save as disclosed above, as at 30 June 2009, there were no other parties who had interests or short positions in the share or underlying shares of the Company as recorded in the register maintained by the Company under section 336 of the SFO.

## **CORPORATION GOVERNANCE AND OTHER INFORMATION**

### **CODE ON CORPORATE GOVERNANCE PRACTICES**

During the six months ended 30th June, 2009, 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:

#### **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 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.

### **COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the Company's code of conduct regarding Director's securities transactions. Having made specific enquiry with all Directors, they have confirmed their compliance with the required standard as set out in the Model Code throughout the six months ended 30th June, 2009.

## CHANGE IN DIRECTOR'S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information on Director is as follows:

Dato' Wong Peng Chong, the Vice-President of the Company, has been appointed as a Director of Mabuhay Holdings Corporation, a company listed in The Philippine Stock Exchange, Inc., with effect from 23rd June, 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 discussed internal controls and financial reporting matters including a general review of the unaudited interim financial report for the six months ended 30th June, 2009. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditor 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 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, 2009.

By Order of the Board

**Shanghai Allied Cement Limited**

**Dong Ping**

*Chairman*

Hong Kong, 23rd September, 2009

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