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ALLIED CEMENT HOLDINGS LIMITED

聯合水泥控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1312)

DISCLOSEABLE AND CONNECTED TRANSACTION EXTENSION OF ENTRUSTED LOANS

THE SECOND EXTENSION FRAMEWORK AGREEMENT

Reference is made to (i) the announcement of the Company dated 23 May 2014 in relation to the provision of the First Entrusted Loan, (ii) the announcement of the Company dated 2 July 2014 in relation to the provision of the Second Entrusted Loan and (iii) the announcement of the Company dated 22 May 2015 in relation to the extension of the Entrusted Loans.

On 23 May 2014, Shanghai SAC, Shanghai Building Material and a bank entered into the First Entrusted Loan Documents, pursuant to which Shanghai SAC entrusted the bank to provide the First Entrusted Loan to Shanghai Building Material for a term of one year. The maturity date of the First Entrusted Loan was 26 May 2015.

On 2 July 2014, Shanghai SAC, Shanghai Building Material and a bank entered into the Second Entrusted Loan Documents, pursuant to which Shanghai SAC entrusted the bank to provide the Second Entrusted Loan to Shanghai Building Material for a term of one year. The maturity date of the Second Entrusted Loan was 3 July 2015.

On 22 May 2015, Shanghai Building Material and Shanghai SAC entered into the First Extension Framework Agreement which set out the terms and conditions for extending the term of each of the First Entrusted Loan and the Second Entrusted Loan for one year. The maturity dates of the First Entrusted Loan and the Second Entrusted Loan were extended to 26 May 2016 and 1 July 2016 respectively.

Shanghai Building Material has made, and Shanghai SAC has agreed to, the request for further extending the term of each of the First Entrusted Loan and the Second Entrusted Loan for one year and both parties have entered into the Second Extension Framework Agreement to set out the terms and conditions for such extensions.

LISTING RULES IMPLICATIONS

As the applicable Percentage Ratio(s) in relation to the Transaction is more than 5% but less than 25%, the Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the equity interest of Shanghai SAC is held as to 60% by AII-Shanghai (whose issued share capital is in turn indirectly held as to 83.33% by the Company) and as to 40% by Shanghai Building Material. Shanghai Building Material, as a substantial shareholder of Shanghai SAC, is therefore a connected person of the Company. Accordingly, the Transaction constitutes a connected transaction of the Company.

As the Transaction is a connected transaction between the Group and a connected person at the subsidiary level on normal commercial terms, it is only subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to (i) the announcement of the Company dated 23 May 2014 in relation to the provision of the First Entrusted Loan, (ii) the announcement of the Company dated 2 July 2014 in relation to the provision of the Second Entrusted Loan and (iii) the announcement of the Company dated 22 May 2015 in relation to the extension of the Entrusted Loans.

On 23 May 2014, Shanghai SAC, Shanghai Building Material and a bank entered into the First Entrusted Loan Documents, pursuant to which Shanghai SAC entrusted the bank to provide the First Entrusted Loan to Shanghai Building Material for a term of one year. The maturity date of the First Entrusted Loan was 26 May 2015.

On 2 July 2014, Shanghai SAC, Shanghai Building Material and a bank entered into the Second Entrusted Loan Documents, pursuant to which Shanghai SAC entrusted the bank to provide the Second Entrusted Loan to Shanghai Building Material for a term of one year. The maturity date of the Second Entrusted Loan was 3 July 2015.

On 22 May 2015, Shanghai Building Material and Shanghai SAC entered into the First Extension Framework Agreement which set out the terms and conditions for extending the term of each of the First Entrusted Loan and the Second Entrusted Loan for one year. The maturity dates of the First Entrusted Loan and the Second Entrusted Loan were extended to 26 May 2016 and 1 July 2016 respectively.

Shanghai Building Material may request and Shanghai SAC may agree to extend the term of each of the First Entrusted Loan and the Second Entrusted Loan pursuant to terms and conditions of the First Extension Framework Agreement.

Shanghai Building Material has made, and Shanghai SAC has agreed to, the request for further extending the term of each of the First Entrusted Loan and the Second Entrusted Loan for one year and both parties have entered into the Second Extension Framework Agreement to set out the terms and conditions for such extensions.

THE SECOND EXTENSION FRAMEWORK AGREEMENT

Date

27 May 2016

Parties

- (1) Shanghai SAC, as the lender; and
- (2) Shanghai Building Material, as the borrower.

Entrusted Loans Amount

First Entrusted Loan:	RMB54,000,000 (equivalent to approximately HK\$64,286,000)
Second Entrusted Loan:	RMB78,000,000 (equivalent to approximately HK\$92,857,000)
Total	RMB132,000,000 (equivalent to approximately HK\$157,143,000)

Term

- First Entrusted Loan: One year from 30 May 2016 to 29 May 2017. On receiving notice from Shanghai Building Material 50 Business Days prior to maturity, Shanghai SAC may agree to extend the term of the First Entrusted Loan for not more than one year and such agreement shall be evidenced in writing.
- Second Entrusted Loan: One year from the maturity date according to the First Extension Framework Agreement being 1 July 2016 to 30 June 2017. On receiving notice from Shanghai Building Material 50 Business Days prior to maturity, Shanghai SAC may agree to extend the term of the Second Entrusted Loan for not more than one year and such agreement shall be evidenced in writing.

Interest Rate

4.15% per annum, which shall be settled by Shanghai Building Material on a quarterly basis during the term of each of the Entrusted Loans.

Repayment on demand

On 60 days' prior notice, Shanghai SAC may require Shanghai Building Material to repay the principal amount, together with outstanding interest, if any, of the relevant Entrusted Loan(s).

Default Payment

In the event that Shanghai Building Material fails to repay all the principal amount and interest in accordance with the repayment schedule, Shanghai Building Material shall be liable to a default payment which is calculated at the rate of 0.05% per day on the total outstanding amount, in addition to the interest payable.

Early Repayment

On 30 days' prior notice, Shanghai Building Material may early repay the principal amount, together with outstanding interest, if any, of the relevant Entrusted Loan(s).

Lending Agent

Each of the Entrusted Loans will be provided by Shanghai SAC to Shanghai Building Material through a lending agent which shall be a licensed commercial bank in the PRC and a third party independent to the Company and its connected persons. The handling charge shall be paid by Shanghai Building Material to the lending agent.

REASONS FOR AND BENEFITS OF THE EXTENSION OF THE ENTRUSTED LOANS

The terms of the Second Extension Framework Agreement, including the interest rate and default rate applicable, were agreed by the parties after arm's length negotiations having taken into account the prevailing market interest rates and practices. The Directors consider that the entrusted loan arrangement would help enhance the efficiency in the use of the Group's working capital and that it would be beneficial to the Group in terms of return and risk control.

In view of the above, the Directors have approved the Transaction and the independent non-executive Directors have confirmed that the Transaction is on normal commercial terms (but not in the ordinary and usual course of business of the Group) and in the interests of the Company and the Shareholders as a whole and the terms are fair and reasonable.

GENERAL

Information of the Company and Shanghai SAC

The Company is a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the Main Board.

Shanghai SAC, whose equity interest is held as to 60% by AII-Shanghai whose issued share capital is in turn indirectly held as to 83.33% by the Company.

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

Information of Shanghai Building Material

Shanghai Building Material is a state-owned enterprise holding 40% equity interest in Shanghai SAC. Shanghai Building Material is principally engaged in, among other things, (i) manufacture and sales of glass, cement and new materials made with mainly rockwool, tubing, waterproof substances, etc.; (ii) trading of building materials; and (iii) building decorative work and construction.

LISTING RULES IMPLICATIONS

As the applicable Percentage Ratio(s) in relation to the Transaction is more than 5% but less than 25%, the Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the equity interest of Shanghai SAC is held as to 60% by AII-Shanghai (whose issued share capital is in turn indirectly held as to 83.33% by the Company) and as to 40% by Shanghai Building Material. Shanghai Building Material, as a substantial shareholder of Shanghai SAC, is therefore a connected person of the Company. Accordingly, the Transaction constitutes a connected transaction of the Company.

As the Transaction is a connected transaction between the Group and a connected person at the subsidiary level on normal commercial terms, it is only subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of Chapter 14A of the Listing Rules.

The Board has resolved and approved the Second Extension Framework Agreement. As none of the Directors has material interest in the Second Extension Framework Agreement, no Director abstained from voting on the relevant board resolutions of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“AII-Shanghai”	AII-Shanghai Inc., a company incorporated in the British Virgin Islands with limited liability and whose issued share is indirectly held as to 83.33% by the Company
“Board”	the board of Directors of the Company
“Business Day”	means a day (excluding Saturdays, Sundays and public holidays) on which licensed banks in the PRC are generally open for business throughout their normal business hours
“Company”	Allied Cement Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board
“connected person(s)”	having the meaning ascribed to it under the Listing Rules

“Directors”	the directors of the Company
“Entrusted Loans”	the First Entrusted Loan and the Second Entrusted Loan, each the “Entrusted Loan”
“First Entrusted Loan”	the entrusted loan in the principal amount of RMB54,000,000 (equivalent to approximately HK\$64,286,000) provided by Shanghai SAC to Shanghai Building Material, details of which were disclosed in the announcement of the Company dated 23 May 2014
“First Entrusted Loan Documents”	the loan agreement (借款合同) dated 23 May 2014 entered into between Shanghai SAC and Shanghai Building Material, and the entrusted loan agreement (委託貸款合同) dated 23 May 2014 entered into between Shanghai SAC, a bank and Shanghai Building Material, in relation to the First Entrusted Loan, details of which were disclosed in the announcement of the Company dated 23 May 2014
“First Extension Framework Agreement”	the loan agreement (借款合同) dated 22 May 2015 entered into between Shanghai SAC and Shanghai Building Material pursuant to which the parties agreed to extend the term of each of the Entrusted Loans
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Main Board”	the Main Board of the Stock Exchange of Hong Kong Limited
“Percentage Ratio(s)”	percentage ratio(s) as set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction
“PRC”	The People’s Republic of China, for the purpose of this announcement, excluding Taiwan, Hong Kong, Macau Special Administrative Region of the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Second Entrusted Loan”	the entrusted loan in the principal amount of RMB78,000,000 (equivalent to approximately HK\$92,857,000) provided by Shanghai SAC to Shanghai Building Material, details of which were disclosed in the announcement of the Company dated 2 July 2014
“Second Entrusted Loan Documents”	the loan agreement (借款合同) dated 2 July 2014 entered into between Shanghai SAC and Shanghai Building Material, and the entrusted loan agreement (委託貸款合同) dated 2 July 2014 entered into between Shanghai SAC, a bank and Shanghai Building Material, in relation to the Second Entrusted Loan, details of which were disclosed in the announcement of the Company dated 2 July 2014

“Second Extension Framework Agreement”	the loan agreement (借款合同) dated 27 May 2016 entered into between Shanghai SAC and Shanghai Building Material pursuant to which the parties have agreed to further extend the term of each of the Entrusted Loans
“Shanghai Building Material”	上海建材(集團)有限公司 (Shanghai Building Material (Group) Company Limited*) (formerly known as 上海建築材料(集團)總公司 (Shanghai Building Material (Group) General Company*)), a state-owned enterprise holding 40% equity interest of Shanghai SAC
“Shanghai SAC”	上海聯合水泥有限公司 (Shanghai Allied Cement Co., Ltd.*), a company incorporated in the PRC with limited liability and whose equity interest is held as to 60% by AII-Shanghai and as to 40% by Shanghai Building Material
“Shareholder(s)”	holder(s) of the issued share(s) of HK\$0.002 each in the share capital of the Company
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“Transaction”	the transactions contemplated under the Second Extension Framework Agreement, pursuant to which the term of each of the Entrusted Loans is further extended for one year
“%”	per cent

By order of the Board of
Allied Cement Holdings Limited
Ng Qing Hai
Managing Director

Hong Kong, 27 May 2016

For the purpose of this announcement, unless otherwise indicated, the conversion of RMB into HK\$ is based on the exchange rate of RMB0.84 = HK\$1. Such rate is for the purpose of illustration only and does not constitute a representation that any amount in question in RMB or HK\$ has been or could have been or may be converted at such or another rate or at all.

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Huang Yu (Chairman), Mr. Ng Qing Hai (Managing Director) and Mr. Deng Jinguang; and three independent non-executive Directors, namely Mr. Chan Sze Chung, Mr. Zhang Ruibin and Mr. Zhang Junxi Jack.

* For identification purposes only