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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)

**CONNECTED TRANSACTION
REGARDING DISPOSAL OF A 80% INTEREST
IN THE REGISTERED AND
PAID-UP CAPITAL OF A JOINT VENTURE COMPANY
IN THE PEOPLE'S REPUBLIC OF CHINA**

On 20 June 2008, the Purchaser and the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Share Transfer Agreement pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to sell the Sale Equity, representing a 80% interest in the registered and paid-up capital of PRC Co., for an aggregate consideration of RMB4,700,000 which will be satisfied in cash.

PRC Co. is an indirect non wholly-owned subsidiary of the Company which is beneficially owned as to 80% by the Vendor and 20% by the Purchaser. Upon Completion, PRC Co. will be wholly-owned by the Purchaser and the Company will no longer have any beneficial interests in the registered and paid-up capital of PRC Co.

* *for identification purposes only*

The Purchaser is a substantial shareholder of PRC Co., an indirect non wholly-owned subsidiary of the Company, and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. As such, the entering into of the Share Transfer Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As each of the applicable percentage ratios is less than 25% and the total consideration is less than HK\$10,000,000, under Rule 14A.32 of the Listing Rules, the entering into of the Share Transfer Agreement is only subject to the reporting and announcement requirements set out in Rule 14A.45 to Rule 14A.47 of the Listing Rules and is exempt from the independent Shareholders' approval requirements.

SHARE TRANSFER AGREEMENT

Date

20 June 2008

Parties

Purchaser: Beijing He Chen Building Materials Limited (北京禾辰建材有限公司)

Vendor: Shenzhen Triwa Shun Sheng Building Materials Limited (深圳市賽華順升建材有限公司)

Guarantors: PRC Co., namely, Beijing Shanglian Shoufeng Construction Materials Limited (北京上聯首豐建材有限公司) and Purchaser's Guarantor, namely, Beijing Xin Hang Building Materials Limited (北京新航建材有限公司)

The Vendor is an indirect wholly-owned subsidiary of the Company and is principally engaged in investment holding. The Purchaser holds a 20% interest in the registered and paid up capital of PRC Co. and is principally engaged in investment holding. PRC Co. acts as a guarantor under the Share Transfer Agreement to secure the due and punctual payment of the balance of the Consideration by the Purchaser to the Vendor under the Share Transfer Agreement.

The Purchaser's Guarantor is principally engaged in investment holding. To the best of the information, knowledge and belief of the Directors having made all reasonable enquiry, the Purchaser's Guarantor and its ultimate beneficial owner(s) are Independent Third Parties. The Purchaser and the Purchaser's Guarantor are business partners and have business dealings with each other.

To the best of the information, knowledge and belief of the Directors having made all reasonable enquiry, no prior transactions were entered into amongst the Group (including the Vendor and PRC Co.) and its ultimate beneficial owners, the Purchaser and the Purchaser's Guarantor and their respective ultimate beneficial owners which would be required to be aggregated with the transaction as disclosed in this announcement pursuant to Rule 14A.25 of the Listing Rules.

Consideration

The Consideration of RMB4,700,000 pursuant to the Share Transfer Agreement will be satisfied in cash in the following manner:

- (i) RMB1,560,000 being paid within 2 business days from the date of signing of the Share Transfer Agreement;
- (ii) RMB1,560,000 being paid on the date immediately after the first anniversary from the date of signing of the Share Transfer Agreement; and
- (iii) the balance of RMB1,580,000 being paid on the date immediately after the second anniversary from the date of signing of the Share Transfer Agreement.

The Consideration was arrived at upon negotiations on an arm's length commercial basis between the parties by reference to the audited net asset value of PRC Co. attributable to the Sale Equity of approximately RMB2,621,000 as at 31 December 2007. The Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable.

Assets to be disposed

Pursuant to the Share Transfer Agreement, the Vendor has agreed to sell and the Purchaser has agreed to acquire the Sale Equity, being a 80% interest in the registered and paid up capital of PRC Co.

Conditions Precedent

Completion is subject to the following conditions having been fulfilled:

- (i) the Purchaser having paid to the Vendor an initial deposit of RMB1,560,000 within 2 business days from the date of signing of the Share Transfer Agreement; and
- (ii) the Purchaser having procured PRC Co. to repay all the outstanding sums due by PRC Co. to the Vendor and its affiliate companies as at 31 March 2008 in the amount of approximately RMB9,556,000 by no later than 180 days after the date of signing of the Share Transfer Agreement.

Completion

The Vendor and the Purchaser shall jointly apply to the local Administration for Industry and Commerce for the change of the registered shareholder of PRC Co. within 5 business days upon fulfillment of the above conditions precedent. Completion shall take place on the date of approval by the local Administration for Industry and Commerce for the change of the registered shareholder of PRC Co.

Upon Completion, PRC Co. will be wholly-owned by the Purchaser and the Company will no longer have any beneficial interests in the registered and paid-up capital of PRC Co. The financial results of PRC Co. will not be consolidated into the Group's financial statements.

INFORMATION ON THE COMPANY AND THE GROUP

The Company is an investment holding company. The principal activities of the Group are manufacture and distribution of cement, clinker and slag powder.

INFORMATION ON PRC CO.

PRC Co. is an indirect non wholly-owned subsidiary of the Company, which was incorporated on 1 March 2004 and is owned by the Vendor as to 80% and the Purchaser as to 20%. The Group has made capital contribution of RMB3,200,000 to PRC Co., representing a 80% interest in the PRC Co.'s registered and paid-up capital. PRC Co. is principally engaged in manufacture and distribution of slag powder.

FINANCIAL INFORMATION ON PRC CO.

The followings are the audited financial information on PRC Co. for the two years ended 31 December 2007 which were prepared in accordance with the Hong Kong Financial Reporting Standards:

PRC CO.

	For the year ended 31 December 2006 (audited) (RMB)	For the year ended 31 December 2007 (audited) (RMB)
Turnover	17,808,085	12,800,273
Net profit (loss) before taxation and extraordinary items	3,380,608	(1,365,356)
Net profit (loss) after taxation and extraordinary items	3,370,536	(1,365,356)
Net Assets	4,641,548	3,276,192

The net loss of the PRC Co. for the financial year ended 31 December 2007 was attributed to the drop in demand of slag powder in the final phase of construction activities for the Beijing Olympic Games.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Having taken into account that the recent financial performance of the PRC Co. is not satisfactory and on the basis that the Sale Equity is disposed at a premium which represents the difference between the proceeds from the Disposal and the audited net asset value of PRC Co. attributable to the Sale Equity as at 31 December 2007, the Board is of the opinion that the Disposal represents a good opportunity for the Company to dispose of its 80% indirect equity interest in PRC Co.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Share Transfer Agreement are on normal commercial terms, which are fair and reasonable and the entering into of the Share Transfer Agreement is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

The Directors estimated that subject to audit, the Group is expected to record a gain from the Disposal of approximately RMB2,332,000 on the basis of the difference between the proceeds from the Disposal and the unaudited net asset value of PRC Co. attributable to the Sale Equity of approximately RMB2,368,000 as at 31 May 2008.

USE OF PROCEEDS

The Directors expect that the net proceeds from the Disposal will be used for general working capital of the Group.

LISTING RULES IMPLICATIONS

The Purchaser is a substantial shareholder of PRC Co., an indirect non wholly-owned subsidiary of the Company, and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. As such, the entering into of the Share Transfer Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As each of the applicable percentage ratios is less than 25% and the total consideration is less than HK\$10,000,000, under Rule 14A.32 of the Listing Rules, the entering into of the Share Transfer Agreement is only subject to the reporting and announcement requirements set out in Rule 14A.45 to Rule 14A.47 of the Listing Rules and is exempt from the independent Shareholders' approval requirements.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the following meaning:

“Board”	board of Directors
“Company”	Shanghai Allied Cement Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange

“Completion”	completion of the Disposal pursuant to the Share Transfer Agreement
“Consideration”	the consideration payable by the Purchaser to the Vendor for the Disposal
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Equity by the Vendor to the Purchaser under the Share Transfer Agreement
“Group”	the Company and its subsidiaries
“Guarantors”	collectively PRC Co. and the Purchaser’s Guarantor
“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	person who himself is, and (in the case of corporate entity) its ultimate beneficial owners are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, third party who is independent of the Company and its connected person (has the meaning ascribed to it under the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“PRC Co.”	Beijing Shanglian Shoufeng Construction Materials Limited (北京上聯首豐建材有限公司), an indirect non wholly-owned subsidiary of the Company in the PRC and owned as to 80% by the Vendor and 20% by the Purchaser

“Purchaser”	Beijing He Chen Building Materials Limited (北京禾辰建材有限公司), a company holding a 20% interest in the registered and paid up capital of PRC Co. and an Independent Third Party
“Purchaser’s Guarantor”	Beijing Xin Hang Building Materials Limited (北京新航建材有限公司), an Independent Third Party
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Equity”	a 80% interest in the registered and paid up capital of PRC Co.
“Share Transfer Agreement”	the share transfer agreement dated 20 June 2008 and entered into among the Purchaser, the Vendor and the Guarantors in respect of the Disposal
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Shenzhen Triwa Shun Sheng Building Materials Limited (深圳市賽華順升建材有限公司), an indirect wholly-owned subsidiary of the Company in the PRC

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

Hong Kong, 25 June 2008

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