

NOTES:

1. Principal accounting policies

The same principal accounting policies and methods of computation are followed in these interim financial statements as compared with the most recent published annual financial statements for the year ended 31 March 2000. These interim financial statements comply with Hong Kong Statement of Standard Accounting Practice 25 “Interim Financial Reporting”.

2. Segmental information

The Group’s turnover and operating loss for the six months ended 30 September 2000, analysed by principal activity and geographical market, are as follows:

	Turnover		Operating loss	
	2000	1999	2000	1999
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
By principal activity:				
Distribution of ceramics				
production machinery	0	4,818	0	(14,681)
Distribution of ceramic tiles and				
granite and marble products	48,864	96,792	(83,209)	(52,263)
	<u>48,864</u>	<u>101,610</u>	<u>(83,209)</u>	<u>(66,944)</u>
Finance costs				
Share of results of associates			<u>(1,118)</u>	<u>(1,118)</u>
Loss before taxation			<u>(84,327)</u>	<u>(68,062)</u>

By geographical market:

Hong Kong	3,144	19,409	(8,378)	(7,303)
The People's Republic of China, other than Hong Kong	<u>45,720</u>	<u>82,201</u>	<u>(74,831)</u>	<u>(59,641)</u>
	<u>48,864</u>	<u>101,610</u>	<u>(83,209)</u>	<u>(66,944)</u>
Finance costs				
Share of results of associates			<u>(1,118)</u>	<u>(1,118)</u>
Loss before taxation			<u>(84,327)</u>	<u>(68,062)</u>

3. Turnover

Turnover represents the net amounts received and receivable for goods sold and for services provided, less returns and allowances, during the year.

4. Cost of sales

For the six months ended 30 September 2000, no provision for inventories was included in cost of sales (1999: Nil).

5. Taxation

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profit for the year (1999: Nil).

6. Loss per share

The calculation of the basic loss per share is based on the loss for the period of HK\$0.09 (1999: HK\$0.072) and on 934,876,089 (1999: 934,876,089) shares in issue during the period.

No diluted loss per share has been presented for both periods as the exercise prices of share options were greater than the market price of the Company's shares and the trading of the Company's shares has been suspended since 4 September 2000.

7. Trade receivables

The Group's trade debtors are given various credit terms which are based on the relevant.

	<i>HK\$'000</i>
Ageing analysis as at 30 September 2000:	
Less than 3 months	12,332
3 months to 1 year	9,886
Over 1 year	94,941
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	117,159
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8. Trade payables

	<i>HK\$'000</i>
Ageing analysis as at 30 September 2000:	
Less than 3 months	2,859
3 months to 1 year	26,212
Over 1 year	27,502
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	56,573
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9. Share capital

There was no movement in the share capital of the Company in both periods.

10. Interim dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2000 (1999: Nil).

11. Litigation

- i. During the year ended 31 March 1999, the Group entered into the standstill arrangements with bankers, finance lease creditors and holder of convertible note and executed debentures dated 23 September 1998 (“Debenture”) (and amended ended on 1 September 1999) in favour of these parties, pursuant to which all the Group’s assets, other than those assets already pledged to secured creditors prior to the date of the Debenture, were charged to secure the outstanding liabilities to these parties.

A financial creditor participating in the standstill arrangements terminated the standstill arrangements on 1 September 2000 and as a result the Receivers were appointed to enforce or preserve the security granted under the Debenture. The Receivers are currently working with the Board to facilitate the restructuring of the Group.

- ii. In April 1999, the Group issued a writ against a debtor for outstanding receivable of HK\$1,030,000 in respect of granite work performed by a subsidiary.

Subsequently, the debtor issued legal proceedings against the Group for a counterclaim of liquidated damages for the amount of HK\$10,700,000 and for rectifying the defective granite work in the amount of approximately HK\$1,500,000 (“Claim”). The Group has sought legal advice regarding the Claim and was advised that the Group has a good prospect in defending the Claim. These legal proceedings are continuing.

There has been no further litigation since the appointment of the Receivers.

12. Contingent liabilities

	<i>HK\$'000</i>
Guarantees given by the Group as at 30 September 2000 to banks and financial institutions in respect of facilities utilised by:	
Associates	19,375
Investee company	5,155
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	24,530
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13. Related party transactions

During the period, the Group has entered into the following transactions with its associates and the subsidiary not consolidated:

	<i>HK\$'000</i>
Subsidiary not consolidated	
Purchases of ceramic products	<u>884</u>
Associates	
Sales of ceramic products	127
Purchases of ceramic products	<u>693</u>

In the opinion of the Directors, the above transactions were carried out at terms determined and agreed by both parties.

Details of balances with related parties as at 30 September 2000 are set out in the Consolidated Balance Sheet.