Shanghai World Trade Centre*

Yanan Road Viaduct*

Shanghai Stadium*

Shanghai Subway Line 2*

Interim Report 2001

* *Major projects for "TITAN" brand cement*

Shanghai Allied Cement Limited

CONTENTS

CORPORATE INFORMATION

Directors

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Ng Qing Hai
Lo King Yau, Edwin
Ko Sing Ming

Independent Non-executive Directors
Lai Hin Wing, Henry
Lo Wai On

Company Secretary
Yang Yan Tung, Doris

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Stock Code on The Stock Exchange of Hong Kong Limited : 1060

Stock Code on Singapore Exchange Trading Securities Limited : I08

The Board of Directors (the "Directors") of Shanghai Allied Cement Limited (the "Company") is pleased to announce that the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2001 are set out below:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2001

		Six months ended		
		30.9.2001		30.9.2000
	NOTES	***HK$'000***	***HK$'000***	*HK$'000*
		(unaudited)	**(unaudited)**	(unaudited)
Turnover			**16,793**	48,864
Cost of sales			**(14,584)**	(58,396)
Gross profit (loss)			**2,209**	(9,532)
Other revenue			**2,039**	5,733
Distribution costs			**(198)**	(9,654)
Administrative expenses			**(6,378)**	(22,040)
Gain on deconsolidation of subsidiaries			**61,121**	—
Profit (loss) from operations	*4*		**58,793**	(35,493)
Gain on Financial Restructuring	*5*	**976,860**		
Restructuring expenses	*6*	**(14,338)**	**962,522**	—
Share of results of a jointly controlled entity			**11,600**	—
Finance costs			**(48)**	(47,716)
Share of results of associates			**—**	(1,118)
Profit (loss) before taxation			**1,032,867**	(84,327)
Taxation	*7*		**(978)**	538
Profit (loss) before minority interests			**1,031,889**	(83,789)
Minority interests			**(1,771)**	—
Net profit (loss) for the period			**1,030,118**	(83,789)
Earnings (loss) per share	*8*			
Including non-recurring items — Basic and diluted			**HK 3.7 cents**	HK (9.0 cents)
Excluding non-recurring items — Basic and diluted			**HK 0.2 cent**	HK (9.0 cents)

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH SEPTEMBER, 2001

	NOTES	**30.9.2001** **HK$'000** **(unaudited)**	31.3.2001 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	*9*	**1,409**	541
Goodwill	*10*	**91,912**	—
Interests in subsidiaries not consolidated		**—**	—
Interest in a jointly controlled entity	*11*	**176,653**	—
Interests in associates	*12*	**—**	(19,375)
Club debenture		**330**	330
		270,304	(18,504)
Current assets			
Inventories		**2,926**	102
Trade and other receivables	*13*	**11,534**	548
Bills receivable		**46**	—
Amount due from ultimate holding company	*14*	**4,132**	—
Amount due from a jointly controlled entity	*11*	**18,102**	—
Taxation recoverable		**48**	48
Pledged short-term bank deposits		**5,000**	—
Bank balances and cash		**26,262**	11,496
		68,050	12,194
Current liabilities			
Trade and other payables	*15*	**38,506**	289,478
Amount due to a former director		**—**	3,400
Convertible note		**—**	23,400
Obligation under finance leases	*16*	**5**	66,083
Bank borrowings		**—**	733,220
		38,511	1,115,581
Net current assets (liabilities)		**29,539**	(1,103,387)
		299,843	(1,121,891)

CONDENSED CONSOLIDATED BALANCE SHEET (CONT'D)

At 30TH SEPTEMBER, 2001

	NOTES	**30.9.2001** **HK$'000** **(unaudited)**	31.3.2001 HK$'000 (audited)
Capital and reserves			
Share capital	17	**364,697**	93,487
Reserves	18	**(98,151)**	(1,215,378)
		266,546	(1,121,891)
Minority interests		**33,264**	—
Non-current liability			
Obligation under finance leases			
— due after one year	16	**33**	—
		299,843	(1,121,891)

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2001

	Six months ended	
	30.9.2001 **HK$'000** **(unaudited)**	30.9.2000 HK$'000 (unaudited)
Exchange differences arising from translation of financial statements of overseas operation not recognised in the condensed consolidated income statement	**1,039**	—
Net profit (loss) for the period	**1,030,118**	(83,789)
Total recognised gains (losses)	**1,031,157**	(83,789)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2001

	Six months ended	
	30.9.2001	30.9.2000
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash (outflow) inflow from operating activities	**(5,995)**	13,113
Net cash inflow from returns on investments and servicing of finance	**295**	—
Net cash outflow from investing activities	**(5,877)**	—
Net cash (outflow) inflow before financing activities	**(11,577)**	13,113
Net cash inflow (outflow) from financing activities	**260,189**	(16,043)
Increase (decrease) in cash and cash equivalents	**248,612**	(2,930)
Cash and cash equivalents at beginning of the period	**(222,350)**	(414,007)
Cash and cash equivalents at end of the period	**26,262**	(416,937)
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	**26,262**	1,208
Bank import loans	**—**	(314,195)
Bank overdrafts	**—**	(103,950)
	26,262	(416,937)

INTERIM REPORT 2001

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2001

1. BASIS OF PREPARATION

(a) The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Statement of Standard Accounting Practice ("SSAP") 25 Interim Financial Reporting issued by the Hong Kong Society of Accountants.

(b) The corresponding amounts shown for the condensed consolidated income statement, condensed consolidated statement of recognised gains and losses, condensed consolidated cash flow statement and related notes have not been reviewed by the current Directors and therefore may not be comparable with amounts shown for the current period.

(c) **Financial restructuring**

Against the background of the Group's past liquidity difficulties, on 1st September, 2000, Messrs. Nicolas Timothy Cornforth Hill and Wong Tak Man, Stephen of Nelson Wheeler Corporate Advisory Services Limited (the "Receivers") were appointed as receivers and managers to take care of the assets and businesses of the Group and work with the former directors and management to stabilise the Group's operations. After the Receivers took control of the Group's assets and businesses, the standstill arrangement (the "Standstill") which had been in force with certain of the Group's bankers, finance lease creditors and holder of convertible note was terminated.

On 19th and 20th December, 2000, the Company entered into conditional agreements with Oasis Star Limited ("Oasis Star") and Tian An China Hotel and Property Investments Company Limited ("TACHPIL") (the "Restructuring Agreements"), which related to the financial restructuring of the Group (the "Financial Restructuring"). Both Oasis Star and TACHPIL are subsidiaries of Tian An China Investments Company Limited ("Tian An"), a company which is incorporated in Hong Kong with limited liability and its shares and warrants are listed on the Stock Exchange. The Financial Restructuring was completed on 15th May, 2001 when all the relevant conditions of the Restructuring Agreements were fulfilled and completed. The Receivers were released and discharged with effect on the same date. Details of these are set out in the Company's circular and announcement dated 9th March, 2001 and 15th May, 2001, respectively, and are summarised as follows:

1. BASIS OF PREPARATION (CONT'D)

(i) Restructuring the Company's share capital

a. The nominal value of each issued share was reduced from HK$0.10 to HK$0.01. The Company's issued share capital of HK$93,487,609 comprising 934,876,089 shares of HK$0.10 each was reduced by HK$84,138,848 to HK$9,348,761 comprising 934,876,089 shares of HK$0.01 each.

b. The entire unissued share capital of approximately HK$190,651,000 (including the unissued share capital of HK$84,138,848 resulting from the aforesaid capital reduction) was cancelled.

c. The authorised share capital was increased from approximately HK$9,349,000 to HK$400,000,000 divided into 40,000,000,000 shares of HK$0.01 each.

(ii) Subscription of new shares in the Company

9,600,000,000 new shares of HK$0.01 each were subscribed by Oasis Star at par value.

(iii) Restructuring the Group's obligations to bankers, finance lease creditors, holder of convertible note and the Company's creditors

The total indebtedness to the above parties was settled by the way of cash payment of HK$46 million and issue of approximately 934,876,000 ordinary shares of HK$0.01 each at par value.

(iv) Assets injection

TACHPIL agreed to sell to the Group approximately 83.3% of the issued share capital of AII-Shanghai Inc., ("AII-Shanghai"), a company incorporated in the British Virgin Islands with limited liability, for HK$250 million to be satisfied by the allotment and issue of 25,000,000,000 ordinary shares of HK$0.01 each of the Company. The major asset of AII-Shanghai is a 60% interest of a jointly controlled entity, Shanghai Allied Cement Co., Ltd. ("SAC"), which is principally engaged in the manufacturing and distribution of cement in the Shanghai and Shenzhen market.

1. BASIS OF PREPARATION (CONT'D)

(v) **Assets transfer**

The entire issued share capital of a wholly-owned subsidiary, Interform Joint Ventures Limited was transferred to Agrichina Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by the Receivers.

Upon the completion of the Financial Restructuring, Tian An became the ultimate holding company of the Company.

(d) As explained in the Company's financial statements for the year ended 31st March, 2001 approved by the Directors on 21st August, 2001 (the "2001 Financial Statements"), the current Directors were appointed on 15th May, 2001, the date of completion of the Financial Restructuring. Despite having used their best endeavours to locate all the financial and business records of the Group, as most of the former accounting personnel and all former directors had left the Group on or before 15th May, 2001, the current Directors have encountered the following difficulties in preparing the condensed financial statements.

(i) As explained in the 2001 Financial Statements, the current Directors were unable to obtain sufficient documentary evidence to satisfy themselves that the following balances at 31st March, 2001 included in the consolidated balance sheet of the Group were accurately and fairly stated:

— Property, plant and equipment of approximately HK$541,000
— Inventories of approximately HK$102,000
— Trade and other receivables of approximately HK$548,000
— Bank balances and cash of approximately HK$6,011,000
— Trade and other payables of approximately HK$277,152,000
— Amount due to a former director of HK$3,400,000
— Convertible note of HK$23,400,000
— Obligation under finance leases of approximately HK$66,083,000
— Bank borrowings of approximately HK$733,220,000

(ii) As a result of the lack of sufficient documentary evidence available to the current Directors as at 31st March, 2001 as described in (i) above, and up to 15th May, 2001, the current Directors were unable to satisfy themselves as to whether the following amounts included in the condensed consolidated income statement for the six months ended 30th September, 2001 were free from material misstatement:

— Gain on debts waived on Financial Restructuring of approximately HK$957,583,000
— Loss on disposal of subsidiaries under Financial Restructuring of approximately HK$98,000
— Gain on deconsolidation of subsidiaries of approximately HK$61,121,000

1. BASIS OF PREPARATION (CONT'D)

(iii) The current Directors were unable to obtain sufficient documentary evidence to satisfy themselves as to whether the following amounts relating to the period from 1st April, 2001 to 15th May, 2001 and included in the condensed consolidated income statement for the six months ended 30th September, 2001 were free from material misstatement:

— Turnover of approximately HK$986,000
— Cost of sales of approximately HK$1,149,000
— Administrative expenses of approximately HK$412,000

(iv) The current Directors were unable to represent as to the completeness of recording of transactions entered into by the Group for the period from 1st April, 2001 to 15th May, 2001 and as to the completeness of disclosure of claims, commitments and contingent liabilities in the condensed financial statements. Also, the current Directors are unable to represent as to the completeness of identification and disclosure of related party transactions for the period from 1st April, 2001 to 15th May, 2001.

(v) The current Directors have been unable to obtain sufficient documentary evidence to satisfy themselves as to whether any material modification is required to be made to trade and other payables amounting to approximately HK$25,102,000 which were included both in the consolidated balance sheet as at 31st March, 2001 and the condensed consolidated balance sheet as at 30th September, 2001.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention. In the opinion of the current Directors, the accounting policies adopted are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31st March, 2001, except as described below.

<u>Joint ventures</u>

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

Jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

Joint ventures (cont'd)

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities. The Group's share of post-acquisition results of jointly controlled entities is included in the consolidated income statement.

When the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred.

In the current period, the Group has adopted, for the first time, a number of new and revised SSAPs which have resulted in the adoption of the following new accounting policies:

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as an asset and amortised on a systematic basis following an assessment of its foreseeable life of the asset, subject to a maximum of 20 years.

Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

Leases

The revised SSAP has introduced some amendments to the basis of accounting for finance and operating leases, and to the disclosures specified for the Group's leasing arrangements. These changes have not had any material effect on the results for the current or prior accounting periods and, accordingly, no prior period adjustment has been required. Disclosures for all of the Group's leasing arrangements have been modified so as to comply with the requirements of SSAP 14 (Revised).

Segment reporting

In the current period, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 Segment Reporting. Segment disclosures for the six months ended 30th September, 2000 have been amended so that they are presented on a consistent basis.

3. SEGMENTAL INFORMATION

An analysis of the Group's revenue and segment results by business and geographical segment is as follows:

BUSINESS SEGMENTS

	Revenue		Segment results	
	Six months ended		Six months ended	
	30.9.2001	30.9.2000	**30.9.2001**	30.9.2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Distribution and manufacturing of cement and clinker	**12,466**	—	**1,714**	—
Distribution of ceramic tiles, granite and marble products	**6,023**	50,257	**1,493**	(18,144)
	18,489	50,257	**3,207**	(18,144)
Gain on Financial Restructuring			**976,860**	—
Gain on deconsolidation of subsidiaries			**61,121**	—
Share of results of a jointly controlled entity			**11,600**	—
Restructuring expenses			**(14,338)**	—
Indirect overheads			**(5,535)**	(17,349)
Finance costs			**(48)**	(47,716)
Share of results of associates			**—**	(1,118)
Profit (loss) before taxation			**1,032,867**	(84,327)

GEOGRAPHICAL SEGMENTS

	Revenue		Segment results	
	Six months ended		Six months ended	
	30.9.2001	30.9.2000	**30.9.2001**	30.9.2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Hong Kong	**6,023**	4,288	**1,493**	(2,695)
The People's Republic of China, other than Hong Kong ("PRC")	**12,466**	45,969	**1,714**	(15,449)
	18,489	50,257	**3,207**	(18,144)
Gain on Financial Restructuring			**976,860**	—
Gain on deconsolidation of subsidiaries			**61,121**	—
Share of results of a jointly controlled entity			**11,600**	—
Restructuring expenses			**(14,338)**	—
Indirect overheads			**(5,535)**	(17,349)
Finance costs			**(48)**	(47,716)
Share of results of associates			**—**	(1,118)
Profit (loss) before taxation			**1,032,867**	(84,327)

4. PROFIT (LOSS) FROM OPERATIONS

Profit (loss) from operations has been arrived at after charging (crediting):

	Six months ended	
	30.9.2001	30.9.2000
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Amortisation of goodwill	**1,699**	—
Depreciation and amortisation of property, plant and equipment	**54**	3,888
Operating lease rentals in respect of premises	**511**	1,475
Staff costs	**1,990**	9,251
Interest income	**(343)**	(4,340)

5. GAIN ON FINANCIAL RESTRUCTURING

	Six months ended	
	30.9.2001	30.9.2000
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Gain on debts waived	**957,583**	—
Write-back of share of loss in an associate (note 12)	**19,375**	—
Loss on disposal of subsidiaries	**(98)**	—
	976,860	—

6. RESTRUCTURING EXPENSES

Included in restructuring expenses was an amount of approximately HK$1,212,000 in respect of redundancy payment incurred by the Group during the period.

7. TAXATION

The charge for the period represents share of taxation of a jointly controlled entity under respective jurisdictions for that period.

There was no significant unprovided deferred taxation for the period or at the balance sheet date.

8. EARNINGS (LOSS) PER SHARE

Including non-recurring items:

The calculation of the basic and diluted earnings (loss) per share for the six months ended 30th September, 2001 is based on the following data:

	Six months ended 30.9.2001 (unaudited)	Six months ended 30.9.2000 (unaudited)
Earnings (Loss):		
Net profit (loss) for the period for the purpose of basic and diluted earnings (loss) per share	**HK$1,030,118,000**	HK$(83,789,000)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**27,731,667,893**	934,876,089
Effect of dilutive potential ordinary shares — convertible note	**10,856,789**	—
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**27,742,524,682**	934,876,089

The computation of diluted earnings (loss) per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the market price for shares for both periods. For the six months ended 30th September, 2000, no diluted loss per share was presented as conversion of the convertible note would result in a decrease in the loss per share.

8. EARNINGS (LOSS) PER SHARE (CONT'D)

Excluding non-recurring items:

The additional basic and diluted earnings (loss) per share present earnings (loss) data after elimination of items not expected to affect future performance.

Earnings (loss) figure are calculated as follows:

	Six months ended	
	30.9.2001	30.9.2000
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net profit (loss) for the period	**1,030,118**	(83,789)
Adjustment for:		
Gain on debts waived	**(957,583)**	—
Write-back of share of loss in an associate	**(19,375)**	—
Restructuring expenses	**14,338**	—
Loss on disposal of subsidiaries	**98**	—
Earnings (loss) for the period for the purpose of basic and diluted earnings (loss) per share excluding non-recurring items	**67,596**	(83,789)

The denominators used are the same as those detailed above for both basic and diluted earnings (loss) per share.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred approximately HK$921,000 on the acquisition of property, plant and equipment for the expansion of the Group's operation.

10. GOODWILL

As a result of the acquisition of AII-Shanghai, goodwill of approximately HK$94 million has arisen.

11. INTEREST IN A JOINTLY CONTROLLED ENTITY/AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

	30.9.2001	31.3.2001
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Share of net assets	**176,653**	—

As explained in note 1(c) above, as a result of the acquisition of AII-Shanghai by the Group, SAC became a jointly controlled entity of the Group.

The amount due from SAC is unsecured, non-interest bearing and has no fixed repayment terms.

12. INTERESTS IN ASSOCIATES

As at 31st March, 2001, the amount represented the Group's share of loss of an associate to the extent of obligations committed by the Group to that associate. Upon the completion of Financial Restructuring on 15th May, 2001, the relevant obligations committed by the Group to that associate were released and discharged. Thus, the whole amount of share of net liabilities in previous years was written back to the condensed consolidated income statement during the period.

13. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing its trade customers credit periods normally ranging from 90 days to 120 days. Included in trade and other receivables are trade receivables of approximately HK$3,859,000 and their aged analysis is as follows:

	30.9.2001
	HK$'000
	(unaudited)
0 — 90 days	**3,437**
91 — 180 days	**422**
	3,859

No comparative figure was presented for the aged analysis of trade receivables of approximately HK$515,000 as at 31st March, 2001 as insufficient information is available, as explained in note 1 (d).

14. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

The amount is unsecured, non-interest bearing and has no fixed repayment terms.

15. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$29,161,000 and their aged analysis is as follows:

	30.9.2001
	HK$'000
	(unaudited)
0 — 90 days	**4,059**
Over 1 year	**25,102**
	29,161

No comparative figure was presented for the aged analysis of trade payables of approximately HK$46,716,000 as at 31st March, 2001 as insufficient information is available, as explained in note 1 (d).

16. OBLIGATION UNDER FINANCE LEASES

As explained in note 1(c) above, the amount outstanding as at 31st March, 2001 was settled by the Group.

During the period, the Group entered into a new finance lease arrangement of approximately HK$40,000, for the acquisition of property, plant and equipment.

17. SHARE CAPITAL

	Number of ordinary shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.10 each at 1st April, 2001 and 1st April, 2000	2,000,000,000	200,000
Reduction of the nominal value of issued shares of HK$0.10 each to HK$0.01 each	—	(84,139)
Cancellation of unissued authorised share capital of HK$0.01 each	(1,065,123,911)	(106,512)
Increase in authorised share capital of HK$0.01 each	39,065,123,911	390,651
Ordinary shares of HK$0.01 each at 30th September, 2001	40,000,000,000	400,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each at 1st April, 2001 and 1st April, 2000	934,876,089	93,487
Reduction of the nominal value of issued shares of HK$0.10 each to HK$0.01 each	—	(84,139)
Issue of shares of HK$0.01 each in accordance with the Financial Restructuring	35,534,876,089	355,349
Ordinary shares of HK$0.01 each at 30th September, 2001	36,469,752,178	364,697

18. RESERVES

	Share premium account HK$'000	Capital redemption reserve HK$'000	Translation reserve HK$'000	Merger reserve HK$'000	Deficit HK$'000	Total HK$'000
At 1st April, 2000	420,653	918	(6,195)	1,799	(1,297,312)	(880,137)
Reversed upon deconsolidation of a subsidiary	—	—	(1,297)	—	—	(1,297)
Net loss for the year	—	—	—	—	(333,944)	(333,944)
At 31st March, 2001	420,653	918	(7,492)	1,799	(1,631,256)	(1,215,378)
Arising from capital reduction of ordinary shares *(note 17)*	—	—	—	—	84,139	84,139
Exchange differences arising from translation of financial statements of overseas operations	—	—	1,039	—	—	1,039
Realised on disposal of subsidiaries	—	—	1,931	—	—	1,931
Net profit for the period	—	—	—	—	1,030,118	1,030,118
At 30th September, 2001	420,653	918	(4,522)	1,799	(516,999)	(98,151)

19. COMMITMENTS

In June 2001, the Group entered into an arrangement with a PRC third party to lease its production facilities for manufacture of cement with a term of twenty years. Under a supplemental agreement with the PRC third party, the Group has an option to terminate the said lease in June 2003 and each of two years after June 2003. The Group has no current intention to terminate the lease.

Under the above arrangement, at 30th September, 2001, the Group had commitments to pay rental expenses which fall due as follows:

	HK$'000
Within one year	3,459
In the second to fifth year inclusive	4,206
	7,665

The above commitment represents rental payments up to the end of the first two-year period where such option to terminate the lease may be exercised by the Group. From the second year to the fifth year inclusive, the rental will be escalated by a fixed amount of approximately HK$470,000 per annum. Starting from the sixth year onwards, the rental is fixed at the term same as that of the fifth year.

20. CONTINGENT LIABILITIES

	30.9.2001 ***HK$'000*** **(unaudited)**	31.3.2001 *HK$'000* (audited)
Guarantees given to banks and financial institutions in respect of facilities utilised by:		
Subsidiaries not consolidated	—	15,477
Investee company	—	8,600
	—	24,077

20. CONTINGENT LIABILITIES (CONT'D)

The following contingent liabilities arise from interest in a jointly controlled entity:

	30.9.2001	31.3.2001
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Guarantees given by a jointly controlled entity to banks in respect of facilities used by:		
Fellow subsidiaries of the Company	**28,302**	—
The minority shareholder of SAC	**5,047**	—
	33,349	—
Discounted commercial bills	**7,192**	—
	40,541	—
Attributable to the Group	**24,325**	—

21. LITIGATIONS

Pursuant to the completion of the Financial Restructuring, in the opinion of the current Directors, the litigations as described in the 2001 Financial Statements were either settled or discontinued.

22. PLEDGE OF ASSETS

At 30th September, 2001, short-term banks deposits of HK$5,000,000 were pledged to a bank to secure credit facilities granted to the Group.

23. RELATED PARTIES TRANSACTIONS

During the period, the Group paid rental expenses of approximately HK$310,000 to the ultimate holding company. In additions, the Group sold cement and clinker of approximately HK$5,453,000 to a jointly controlled entity. In the opinion of the current Directors, the transactions stated above were carried out on normal commercial terms and in the ordinary course of business.

德勤 • 關黃陳方會計師行
Certified Public Accountants
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Hong Kong
香港中環干諾道中111號
永安中心26樓

Deloitte Touche Tohmatsu

INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS OF SHANGHAI ALLIED CEMENT LIMITED
上海聯合水泥股份有限公司
(FORMERLY KNOWN AS INTERFORM CERAMICS TECHNOLOGIES LIMITED
圓方陶瓷科技有限公司)
(incorporated in Bermuda with limited liability)

INTRODUCTION

We have been instructed by Shanghai Allied Cement Limited (the "Company") to review the interim financial report set out on pages 3 to 21.

DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" ("SSAP 25") issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" ("SAS 700") issued by the Hong Kong Society of Accountants, except that the scope of our review was limited as explained below.

A review consists principally of making enquiries of management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report. However, the scope of our review was limited as set out below.

REVIEW WORK PERFORMED (CONT'D)

(1) As explained in note 1(d)(i) to the condensed financial statements, the current directors were unable to obtain sufficient documentary evidence to satisfy themselves that the following balances at 31st March, 2001 included in the condensed consolidated balance sheet of the Group were accurately and fairly stated:

— Property, plant and equipment of approximately HK$541,000
— Inventories of approximately HK$102,000
— Trade and other receivables of approximately HK$548,000
— Bank balances and cash of approximately HK$6,011,000
— Trade and other payables of approximately HK$277,152,000
— Amount due to a former director of HK$3,400,000
— Convertible note of HK$23,400,000
— Obligation under finance leases of approximately HK$66,083,000
— Bank borrowings of approximately HK$733,220,000

Any adjustments found to be necessary to any of the above balances at 31st March, 2001 would have a consequential effect on the net profit of the Group for the six months ended 30th September, 2001.

(2) As explained in note 1(d)(ii) to the condensed financial statements, as a result of the lack of sufficient documentary evidence available to the current directors as at 31st March, 2001 as described in note 1(d)(i), and up to 15th May, 2001, the current directors were unable to satisfy themselves as to whether the following amounts included in the condensed consolidated income statement for the six months ended 30th September, 2001 were free from material misstatement:

— Gain on debts waived on Financial Restructuring of approximately HK$957,583,000
— Loss on disposal of subsidiaries under Financial Restructuring of approximately HK$98,000
— Gain on deconsolidation of subsidiaries of approximately HK$61,121,000

Any adjustments found to be necessary to any of the above amounts would have a consequential effect on the net profit of the Group for the six months ended 30th September, 2001.

(3) As explained in note 1(d)(iii) to the condensed financial statements, the current directors were unable to obtain sufficient documentary evidence to satisfy themselves as to whether the following amounts relating to the period from 1st April, 2001 to 15th May, 2001 and included in the condensed consolidated income statement for the six months ended 30th September, 2001 were free from material misstatement:

— Turnover of approximately HK$986,000
— Cost of sales of approximately HK$1,149,000
— Administrative expenses of approximately HK$412,000

Any adjustments found to be necessary to any of the above amounts would have a consequential effect on the net assets of the Group as at 30th September, 2001 and on the net profit of the Group for the six months ended 30th September, 2001.

REVIEW WORK PERFORMED (CONT'D)

(4) As explained in note 1(d)(iv) to the condensed financial statements, the current directors were unable to represent as to the completeness of recording of transactions entered into by the Group for the period from 1st April, 2001 to 15th May, 2001 and as to the completeness of disclosure of claims, commitments and contingent liabilities in the condensed financial statements. Also, the current directors are unable to represent as to the completeness of identification and disclosure of related party transactions for the period from 1st April, 2001 to 15th May, 2001.

(5) As explained in note 1(d)(v) to the condensed financial statements, the current directors have been unable to obtain sufficient documentary evidence to satisfy themselves as to whether any material modification is required to be made to trade and other payables amounting to approximately HK$25,102,000 which were included both in the consolidated balance sheet as at 31st March, 2001 and the condensed consolidated balance sheet as at 30th September, 2001.

Any adjustments found to be necessary to any of the above balance at 30th September, 2001 would have a consequential effect on the net assets of the Group as at 30th September, 2001 and on the net profit of the Group for the six months ended 30th September, 2001.

MODIFIED REVIEW CONCLUSION ARISING FROM LIMITATIONS OF REVIEW SCOPE

On the basis of our review which does not constitute an audit, except for possible adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the matters set out in paragraphs 1 to 5 above, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th September, 2001.

Without modifying our review conclusion, we draw to your attention that the comparative condensed consolidated income statement, condensed consolidated statement of recognised gains and losses and condensed consolidated cash flow statement for the six months ended 30th September, 2000 disclosed in the interim financial report have not been reviewed in accordance with SAS 700. We also draw to your attention that with reference to note 1(b) and note 1(d)(i), the current directors are unable to satisfy themselves that comparative figures are free from material misstatement.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
26th November, 2001

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2001 (30th September, 2000: Nil)

MANAGEMENT DISCUSSION AND ANALYSIS

During the reporting period, the Group completed its debt restructuring and the new management took over the Group in mid May 2001. Meanwhile, the Company changed its name into Shanghai Allied Cement Limited in September 2001. The Directors believe that the change of name reflects truly the Company's current business nature and future business direction of the Group.

BUSINESS REVIEW

For the six months ended 30th September, 2001, the Group's turnover and total segmental revenue (not including Shanghai Allied Cement Co., Ltd. ("Shanghai SAC")) was HK$16,793,000 and HK$18,489,000 respectively, compared with the corresponding period last year, there was a decrease of 65.6 % and 63.2% respectively. Segmental revenue arising from the distribution and manufacturing of cement and clinker amounted to HK$12,466,000, representing 67.4 % to the Group's total segmental revenue while segmental revenue arising from the distribution of ceramics tiles, granite and marble products amounted to HK$6,023,000, representing 32.6 % to the Group's total segmental revenue.

For the six months ended 30th September, 2001, profit before taxation of the Group was HK$1,032,867,000 including share of profit of HK$11,600,000 from Shanghai SAC, gain on Financial Restructuring amounting to HK$976,860,000 and gain on deconsolidation of subsidiaries amounting to HK$61,121,000.

Cement Section

Shanghai SAC is a corporate joint venture enterprise established in Shanghai, the People's Republic of China (the "PRC") and its principal business is manufacturing and distribution of cement in the Shanghai and Shenzhen markets. Its annual production capacity is 700,000 tones of cement. Furthermore, Shanghai SAC is one of the pioneer corporations in Shanghai which attained ISO9002 Standard. "TITAN" is the brand name of the cement distributed by Shanghai SAC.

It is expected that the annual production capacity of Shanghai SAC will exceed 20% of its designed production capacity in year 2001. As the management of Shanghai SAC pays particular attention to environmental protection matters by using environmental raw materials instead of traditional raw materials in the production process, Shanghai SAC was classified as "High-Tech Corporation" by 上海市高新技術企業(產品)認定辦公室 in mid November 2001.

The Group shared profit before taxation from Shanghai SAC amounting to HK$11,600,000 for four and half months during the period under review.

In June 2001, the Company, through its wholly owned subsidiary, had set up an enterprise named Shandong Shanghai Allied Cement Co., Ltd ("Shandong SAC") in Shandong, the PRC. Its registered capital is US$1,000,000. The purpose for the establishment of Shandong SAC is to provide a platform for future expansion of the Group's cement production capacity. Furthermore, it will enhance the Group to capture the growth of demand and to enable the Group to enlarge its market share in cement market.

Agreement was reached with a domestic corporation on leasing one production line with an annual capacity of 350,000 tones of cement by Shandong SAC. Operations began in June 2001. Their cement products are used in Shenzhen Underground Railway and Jiangsu Bin Hai project.

The segmental revenue attributable to Shandong SAC amounted to HK$12,466,000 and its segmental results amounted to HK$1,714,000 for the period under review.

Both Shanghai SAC and Shandong SAC are the main contributors to the Group's profits.

BUSINESS REVIEW (CONT'D)

Ceramics Tiles and Marble Section

The property market in Hong Kong is now experiencing a sluggish environment. As a result, the Group's ceramics tiles and marble businesses were adversely affected.

The segmental revenue attributable to the distribution of ceramics tiles, granite and marble products decreased to approximately HK$6,023,000 (30th September, 2000:HK$50,257,000), a sharply decrease of 88%. Segmental results amounted to HK$1,493,000 (30th September, 2000: loss of HK$18,144,000).

Meanwhile, ceramics tiles manufacturing plants in Foshan exhibited no contribution to the Group's turnover and operating profit during the period under review.

Since the Hong Kong property market shows an unfavourable condition together with the ceramics tiles market in the PRC is oversupply, the Management holds a conservative view on the future development of the Group's ceramics tiles and marble business.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group had a current ratio of approximately 1.77 compared to that of 0.01 as at 31st March, 2001 and the gearing ratio (net bank borrowings/net assets) was nil. The calculation was based on net assets of HK$266,546,000 as at 30th September, 2001.

As at 30th September, 2001, there were no material secured and guaranteed loans outstanding for the Group.

There were no significant capital commitments as at 30th September, 2001 which would require a substantial use of the Group's present cash resources or external funding.

The Group's daily operations and investments were funded by cash generated from the Financial Restructuring, internal operations and dividend paid by jointly controlled entity. The Board believes that the Group has adequate funds for business operations.

The Group does not anticipate any material foreign exchange exposure since its cash, borrowings, revenue and expenses are mainly denominated either in Hong Kong dollars or Renminbi.

Charges on Assets

During the period under review, a total of HK$5,000,000 cash was charged in favour of a bank to secure the Group's bank credit facilities. As at 30th September, 2001, none of the facilities was utilized by the Group.

Contingent Liabilities

Other than the guarantee given to banks by and the discounted commercial bills of a jointly controlled entity totalling approximately HK$40,541,000 (approximately HK$24,325,000 attributable to the Group), the Group did not have any material contingent liabilities as at 30th September, 2001.

Employees and Remuneration Policies

As at 30th September, 2001, the Group, not including its associates, jointly controlled entity and subsidiaries not consolidated, employs approximately 253 staff.

For Hong Kong staff, remuneration is determined by reference to their qualifications and experiences of the staff concerned. Salaries are reviewed annually. Other benefits include medical insurance and mandatory provident fund provided to all eligible staff.

PROSPECTS

After the new management took over the control of the Group in mid May 2001 and the name of the Company changed into Shanghai Allied Cement Limited, the Group is entering into a new era. As mentioned in the annual report for the year ended 31st March, 2001, the principal business of the Group will be the distribution and manufacturing of building materials. The Directors consider that cement business is the major business of the Group and hold the view that its future development is optimistic. Together with its brand name, advanced technology, experienced managerial staff and favourable conditions for cement market, the Group will expand its cement business at a moderate rate.

With the positive economic growth in the PRC, the demand for cement in construction market and infra-structural market increases significantly and these will bring lots of business opportunities to the Group. Meanwhile, competition in cement market is keen.

Since the completion of debt restructuring, the Group is now heading for a solid development growth path. In the second half of the year, the Directors will continue to implement measures to further upgrade the quality of our cement products, to further reduce our production costs and to improve our quality of after-sales services. At the same time, the Directors will continue to explore business opportunities so as to expand the Group's cement production capacity with reasonable capital commitment and enhance its competitive ability.

DIRECTORS' INTERESTS IN SHARES

As at 30th September, 2001, none of the Directors and their associates had interests in the share capital of the Company and its associated corporations according to the registrar required to be kept under section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance").

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

According to the information available to the Company, set out below are the names of all parties which were, directly or indirectly, interested in 10 per cent or more of the issued share capital of the Company and the respective relevant number of shares in which they were, and/or were deemed to be interested as at 30th September, 2001 as recorded in the register required to be kept by the Company under section 16(1) of the SDI Ordinance:

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES (CONT'D)

Name	Number of shares	Notes
Oasis Star Limited	2,174,282,000	
Tian An Industrial Investments Company Limited	2,174,282,000	1
Tian An China Hotel and Property Investments Company Limited	25,000,000,000	2
Tian An China Investments Company Limited	27,174,282,000	1,2,3
Sun Hung Kai & Co. Limited	27,174,282,000	3,4
AP Emerald Limited	27,174,282,000	3,5
Grace Crown Limited	27,174,282,000	3,6
Allied Properties (H.K.) Limited	27,174,282,000	3,7
Allied Group Limited	27,174,282,000	3,8

Notes:

1. Oasis Star Limited is a wholly-owned subsidiary of Tian An Industrial Investments Company Limited which in turn is wholly owned by Tian An China Investments Company Limited.

2. Tian An China Hotel and Property Investments Company Limited is a wholly owned subsidiary of Tian An China Investments Company Limited.

3. The figure refers to the aggregate holding of 2,174,282,000 shares held by Oasis Star Limited and 25,000,000,000 shares held by Tian An China Hotel and Property Investments Company Limited.

4. Sun Hung Kai & Co. Limited holds a total of 43.27% interest directly and indirectly in Tian An China Investments Company Limited and was therefore deemed to have interest in the shares.

5. AP Emerald Limited was entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of Sun Hung Kai & Co. Limited and was therefore deemed to have interest in the shares.

6. Grace Crown Limited owned 100% interest in the issued share capital of AP Emerald Limited and was therefore deemed to have interest in the shares.

7. Allied Properties (H.K.) Limited owned 100% interest in the issued share capital of Grace Crown Limited and was therefore deemed to have interest in the shares.

8. Allied Group Limited was the holding company of Allied Properties (H.K.) Limited and was therefore deemed to have interest in the shares.

CHANGE OF FINANCIAL YEAR END DATE

The Directors consider that it is appropriate to adopt 31st December as its financial year end which is in line with the year end date of its operation in the PRC. In relation to this, the Directors have resolved that the financial year end date be changed from 31st March to 31st December commencing from the current financial year. As a result of this change, the Company will publish a preliminary announcement of results for the nine months ended 31st December, 2001 on or before 30th April, 2002.

PURCHASE, SALE AND REDEMPTION OF SHARES

For the six months period ended 30th September, 2001, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

AUDIT COMMITTEE

The Audit Committee was established on 21st August, 2001 comprising Messrs. Lai Hin Wing Henry and Lo Wai On with written terms of reference based on the guidelines set out in "A Guide for the Formation of An Audit Committee" published by the Hong Kong Society of Accountants ("HKSA").

The committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 30th September, 2001 ('Interim Financial Statements"). At the request of the Directors, the Group's external auditors have carried out a review of the Interim Financial Statements in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by HKSA.

SPECIAL COMMITTEE

A special committee, comprising executive Directors, was set up by the Company to take care of those outstanding items addressed in the auditors' report for the year ended 31st March, 2001. The purpose of this special committee is to monitor the progress on findings, if any, on those qualified items as stated in the auditors' report.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The current Directors are unable to form an opinion as to whether the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") from 1st April, 2001 to 15th May, 2001.

On the other hand, the current Directors are of the opinion that the Company has complied with the Code of Best Practice as set out in Appendix 14 of Listing Rules from 16th May, 2001 to 30th September, 2001.

By the Order of the Board
Ng Qing Hai
Chief Executive Officer

Hong Kong, 26th November, 2001