OPERATING RESULTS

For the nine months ended 31st December, 2001, the Group's turnover (not including Shanghai Allied Cement Co., Ltd.) was HK$35,469,000 (year ended 31st March, 2001: HK$66,030,000), a decrease of 46.3 %. Net profit for the period was HK$1,028,584,000 (year ended 31st March, 2001: loss of HK$333,944,000). The Group's net profit mainly included the share of profit after taxation of HK$15,315,000 from Shanghai Allied Cement Co., Ltd, gain on financial restructuring of HK$976,860,000 and gain on deconsolidation of subsidiaries of HK$61,121,000. Earnings per share was 3.3 cents (year ended 31st March, 2001: loss per share was 35.7 cents).

Revenue arising from sales of cement and clinker amounted to HK$27,019,000, representing 76.2 % of the Group's total revenue while revenue arising from trading of ceramic tiles, granite and marble amounted to HK$8,450,000, representing 23.8 % of the Group's total revenue.

BUSINESS REVIEW

The principal business of the Group is the manufacturing and distribution of high-grade cement, clinker, ceramic tiles, trading of granite, marble and other building materials, engineering design and installation. It is our Group's operational policy to target only the brand-name customers.

During the period under review, several subsidiaries were put into liquidation or disposed. Overall operational conditions of the Group were improved.

1. Cement business

The Group together with its jointly controlled entity produced around 1,000,000 tonnes of clinker and high-grade cement in year 2001. "TITAN" is named as "The Top 10 Most Reputable Cement Products" by China Consumers Association.

Shandong Shanghai Allied Cement Co., Limited ("Shandong SAC")

Shandong SAC is located in Taierzhuang, ZaoZhuang (near the boundary between Shandong and Jiangsu), where it has a huge reserve of natural resources. The limestone reserve is of 140,000,000 tonnes. Other natural resources including gypsum, coal, red soil and sandstones are also nearby. Furthermore, the labour cost is one-third of that in Shanghai. Together with the convenient transportation networks - Beijing-Hangzhou Canal, Beijing-Shanghai Expressway and Beijing-Shanghai Railway, these factors provide a favourable environment for the manufacturing of cement. In relation to this, in June 2001, the Group invested US$1,000,000 for the establishment of Shandong SAC. Through Shandong SAC, the Group leased a new dry process kiln with calciner production line with daily production capacity of 1,000 tonnes from Shandong ZaoZhuang Taierzhuang Cement Factory. With the implementation of the Group's management concept, corporate culture and the brand name of "TITAN", Shandong SAC is operated smoothly, thereby completing the Group's first stage in expansion of cement production capacity.

BUSINESS REVIEW *(Cont'd)*

1. Cement business *(Cont'd)*

During the period, amount of clinker produced by Shandong SAC was over 180,000 tonnes and its monthly production volume of cement increased by 38.6%. Both the production volume and profit made historical records since its establishment. Shandong SAC was rated as "The Best Foreign Investment Enterprise" in ZaoZhuang, Shandong.

Revenue attributable to Shandong SAC amounted to HK$27,019,000 (year ended 31st March, 2001: Nil) and its profit amounted to HK$2,898,000 for the period under review. Overall operating results were satisfactory.

Shanghai Allied Cement Co., Ltd. ("Shanghai SAC")

With the favourable market conditions for the year 2001, production and sales volumes in Shanghai SAC recorded a new high. On the other hand, with the improvement of the technology, the cost of manufacturing was further reduced by 2% as compared to that in year 2000 and its annual production capacity exceeded its designed capacity by around 20%. Turnover and cash collected reached its highest records among the past three years. Besides, the management of Shanghai SAC devoted resources to enforce environmental protection ideas and trees and flowers were planted within the factory areas. This move made Shanghai SAC become a garden-like factory and this was also recognised by the local government. With substantial resources put into research, technical upgrading of manufacturing process and extensive use of environmental protective raw materials, Shanghai SAC was classified as a "High and New 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's share of profit after taxation from Shanghai SAC amounted to HK$15,315,000 during the period under review.

In mid-March 2002, Shanghai SAC has become a subsidiary of the Group.

BUSINESS REVIEW *(Cont'd)*

2. Ceramic tiles, granite and marble business

For the ceramic tiles, granite and marble business, the disposal of obsolete stock of ceramic tiles, granite and marble was completed, the sale and purchase network has been expanded and new products have been introduced into the market. During the period under review, measures have been taken in re-engineering the two ceramic tile manufacturing factories in Foshan, including the introduction of cost control measures, re-organizing the structure of management team, elimination of redundant staff and rebuilding the sales force and network. The Group is prepared to re-establish the "TRIWA" brand and launch into the market through the extensive networks of Shanghai SAC and the Group's established relationships. It is expected that with the introduction of the above measures, the operating conditions for the two ceramic tiles manufacturing factories could be improved.

Revenue attributable to trading of ceramic tiles, granite and marbles decreased to HK$8,450,000 (year ended 31st March, 2001: HK$66,030,000), a large decrease by 87.2%. Profit amounted to HK$293,000 (year ended 31st March, 2001: loss of HK$45,059,000).

3. Internal Management

Human resources are one of the valuable assets of the Group. With this mission, the Group has provided different kinds of internal training and development opportunities to our staff and eliminated those who failed to keep pace with the others. The Group has expedited the reformation of ERP system, actively strengthened the ISO 9002 quality control system and suitably improved the logistics process in the cement business sector. With the above measures, the overall working efficiency has been enhanced on the one hand and the cost of production is reduced on the other.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group had a current ratio of approximately 1.97 compared to that of 0.01 as at 31st March, 2001 and the gearing ratio (bank borrowings/net assets) was 0.004. The calculation was based on net assets of HK$265,896,000 as at 31st December, 2001. Bank balances and cash (excluding pledged short-term bank deposits) amounted to HK$22,480,000 as at 31st December, 2001.

FINANCIAL REVIEW *(Cont'd)*

Liquidity and Financial Resources (Cont'd)

As at 31st December, 2001, the Group had secured bank borrowings of HK$1,089,000 at floating interest rate (which are repayable within one year) and obligation under finance leases of HK$37,000 at fixed interest rate (which is repayable within five years).

There were no significant capital commitments as at 31st December, 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 internal operations and dividend paid by a jointly controlled entity. The Directors believe 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 denominated either in Hong Kong dollars or Renminbi.

Charges on Assets

As at 31st December, 2001, bank deposits of HK$7,256,000 were pledged with banks to secure the Group's banking facilities and the Group had secured bank borrowings of HK$1,089,000.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31st December, 2001.

Employees and Remuneration Policies

As at 31st December, 2001, the Group, not including its associates and subsidiaries not consolidated, employed 13 staff in Hong Kong and 253 staff in Shandong, the PRC. Remuneration is determined by reference to their qualifications and experiences of the staff concerned. Our Group has set up a performance evaluation policy and will award those employees with outstanding performance.

MARKET RISK ANALYSIS

According to the available statistics, total sales volume of cement in the PRC (excluding Hong Kong) in year 2000 and year 2001 were 597,000,000 tonnes and 620,000,000 tonnes respectively. It is estimated that the total sales volume in year 2002 will reach approximately 650,000,000 tonnes, thereby showing an increasing trend. Within the total sales volume, only 20% of the cement products were produced using rotary kiln, the product quality of which is more stable, while only 10% of the cement products were produced by new dry process kiln with calciner and the remaining portion of the cement products were produced by vertical shaft kiln. With the strict implementation of government administrative policy on the new standard of cement production, the use of vertical shaft kiln cement were restricted and many cement factories with vertical shaft kiln with total production capacity of about 100,000,000 tonnes were timely closed during the past two years due to their highly energy consuming and polluting production processes. As a result of this, the new dry process kiln with calciner production method has a comparatively great development space.

Our main market concentrated in the eastern part of China. In Shanghai, we note from the table below that there is an increasing demand for all of cement, concrete and bulk cement. As a result of this, the Group is planning to expand its market share in Shanghai and hope to achieve a market share of 15% in year 2002.

Year	**1999**	**2000**	**2001**	**2002** *(estimated)*
Cement *(in ten thousands tonnes)*	960	998	1,300	1,350
Concrete *(in ten thousands cubic metres)*	1,041	1,344	1,800	2,000
Bulk Cement *(in ten thousands tonnes)*	450	550	650	700

MARKET RISK ANALYSIS *(Cont'd)*

In Shanghai, the government is undergoing a development plan along the sides of Huangpu River. It is expected that total investment under the plan will be over RMB100 billion and the major projects of which include a deep-water bay, the Fu Xing Road Tunnel and Chong Ming Tunnel. Moreover, Shanghai is actively participating in the application for EXPO 2010 and there will be a large-scale improvement in urban construction and projects on construction of roads and stadia. For comprehensive transportation network, Shanghai is aiming at "Three Ports" including ports, airports and information hub, "Two Roads" which are expressways and high-speed railways and "Two Networks" which are city rail transport network and city expressways network, as the main development points. Our Group being in Shanghai is in a favourable position to capture these opportunities. As China has already entered WTO, it is expected that foreign investments will flood into China and the demand for cement will be increased and this will be a positive factor for the Group. However, it is expected that competition from foreign cement manufacturers together with those cement manufacturers in the areas near Shanghai will also be increased. The Group will positively face this challenge.

Our Group will continue to execute a moderate expansionary strategy and our management is dedicated to operate our businesses in flexible and specialized manners. We will accommodate ourselves to adapt to the ever-changing external environment and to establish our Group in its strongest position. We sincerely thank you for your support.

Ng Qing Hai
Chief Executive Officer

21st March, 2002