1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and The Singapore Exchange Securities Trading Limited. Its ultimate holding company is Tian An China Investments Company Limited ("Tian An"), a public company incorporated in Hong Kong and its shares are listed on the Stock Exchange.

The Company is an investment holding company. The principal activities of its principal subsidiaries, jointly controlled entity and associates are set out in notes 47, 20 and 21 respectively.

The financial statements for the current period cover the nine months ended 31st December, 2001. The corresponding amounts shown for the income statement, statement of recognised gains and losses, cash flows and related notes cover the year ended 31st March, 2001 and therefore may not be comparable with amounts shown for the current period. The current period financial statements is less than twelve months because the directors determined to bring the balance sheet date into line with that of its Mainland subsidiary and other investments and the ultimate holding company.

2. 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 business, the standstill arrangement 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 and Tian An China Hotel and Property Investments Company Limited ("TACHP") (the "Restructuring Agreements"), which were related to the financial restructuring of the Group (the "Financial Restructuring"). Both Oasis Star Limited and TACHP are subsidiaries of Tian An. 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:

(a) Restructuring the Company's share capital

i. The nominal value of each issued shares was reduced from HK$0.10 to HK$0.01. The Company's issued share capital of approximately HK$93,487,000 comprising 934,876,089 shares of HK$0.10 each was reduced by approximately HK$84,139,000 to HK$9,348,000 comprising 934,876,089 shares of HK$0.01 each.

2. FINANCIAL RESTRUCTURING *(Cont'd)*

(a) Restructuring the Company's share capital *(Cont'd)*

ii. The entire unissued share capital of approximately HK$190,651,000 (including the unissued share capital of approximately HK$84,139,000 resulting from the aforesaid capital reduction) was cancelled.

iii. The authorised share capital was increased from approximately HK$9,348,000 to HK$400,000,000 divided into 40,000,000,000 shares of HK$0.01 each.

(b) Subscription of new shares in the Company

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

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

The total indebtedness of the Group to the above parties was settled by the way of cash payment of HK$46,000,000 and issue of 934,876,089 ordinary shares of HK$0.01 each.

(d) Assets injection

TACHP agreed to sell to the Group of 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$250,000,000 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. 上海聯合水泥有限公司, which is principally engaged in the manufacturing and distribution of cement in the Shanghai and Shenzhen market.

2. FINANCIAL RESTRUCTURING *(Cont'd)*

(e) 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.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(a) The current directors were appointed on 15th May, 2001 (date of the completion of the Financial Restructuring) or after that date (the "Directors") and they have used their best endeavour to locate all the financial and business records of the Group. However, as most of the former accounting personnel and all former directors had left the Group on or before 15th May, 2001, the Directors have encountered the following difficulties in preparing the consolidated financial statements.

(i) The 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 consolidated income statement and the associated disclosures in the notes to the financial statements for the nine months ended 31st December, 2001 were fairly stated:

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

(ii) The Directors have been unable to obtain sufficient documentary evidence to satisfy themselves as to whether trade and other payables amounting to approximately HK$25,102,000 included in the consolidated balance sheet as at 31st December, 2001 were fairly stated.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(Cont'd)*

(iii) The Directors are 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. Accordingly, the Directors are also 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.

(iv) The Directors were unable to obtain sufficient documentary evidence to satisfy themselves as to whether the following amounts included in the consolidated income statement and the associated disclosures in the notes to the financial statements for the nine months ended 31st December, 2001 were fairly stated:

— 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

(v) The Directors have been unable to satisfy themselves that the following amounts included in the financial statements for the year ended 31st March, 2001 have been completely and accurately recorded by the Group:

— Turnover of approximately HK$46,202,000
— Purchases and overheads of approximately HK$42,158,000 and HK$8,759,000, respectively, included in cost of sales
— Other revenue of approximately HK$1,771,000
— Distribution costs of approximately HK$1,786,000
— Administrative expenses of approximately HK$30,042,000
— Restructuring expenses of approximately HK$7,870,000
— Finance costs of approximately HK$65,220,000
— Trade and other receivables of approximately HK$548,000
— Trade and other payables of approximately HK$275,709,000 (including other payables of approximately HK$11,876,000 in the balance sheet of the Company)

As a result, the Directors were also unable to satisfy themselves as to the appropriateness of the provision for bad and doubtful debts of approximately HK$20,228,000.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(Cont'd)*

(vi) There was no physical count of inventories at 31st March, 2001 and the Directors have been unable to find sufficient documentary records of inventory movements to satisfy themselves that the amount of inventories included in the consolidated balance sheet as at 31st March, 2001 was fairly stated at that date. At the same time, the Directors were unable to satisfy themselves as to whether the write-off of inventories of approximately HK$8,289,000 during the year ended 31st March, 2001 was appropriate.

(vii) The Directors have been unable to identify items of property, plant and equipment at the Group's production facilities in the Mainland China (the "PRC"), other than Hong Kong, previously included in the books of account with a net book value of approximately HK$17,416,000 at 31st March, 2001. Accordingly, the Directors were unable to satisfy themselves as to the appropriateness of the associated write-off in the same amount reflected in the consolidated income statement for the year ended 31st March, 2001.

(viii) Included in bank balances and cash of the Group at 31st March, 2001 was an amount of approximately HK$5,811,000 (including approximately HK$5,807,000 in respect of the Company) in respect of which the Directors were unable to reconcile such amount to the bank statements. Included in bank balances and cash of the Group was other amount of approximately HK$200,000 in respect of which the Directors were unable to obtain any bank statements. Accordingly, the Directors were unable to satisfy themselves that the bank balances and cash of approximately HK$6,011,000 and HK$5,807,000 were fairly stated in the consolidated balance sheet of the Group and the balance sheet of the Company, respectively, as at 31st March, 2001.

(ix) Against the background described above, the Directors were unable to represent as to the completeness of recording of transactions entered into by the Group for the year ended 31st March, 2001 and of the completeness of disclosure of claims, commitments and contingent liabilities in the financial statements. The Directors are also unable to represent as to the completeness of identification and disclosure of related party transactions and balances.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(Cont'd)*

(x) As explained in note 19(b), a non wholly-owned subsidiary, Shenzhen Matform Ceramics Industry Co., Ltd. ("Shenzhen Matform"), was deconsolidated from the consolidated income statement with effect from 1st February, 2001. Included in the financial statements for the year ended 31st March, 2001 in respect of Shenzhen Matform were:

— Turnover of approximately HK$19,828,000
— Cost of sales of approximately HK$23,570,000
— Other revenue of approximately HK$10,000
— Distribution costs of approximately HK$1,276,000
— Administrative expenses of approximately HK$6,654,000
— Finance costs of approximately HK$17,027,000
— Other payables of approximately HK$1,443,000

The above amounts were included in the financial statements for the year ended 31st March, 2001 based on unaudited management accounts of Shenzhen Matform for the eight months ended 30th November, 2000 which represented the latest financial information the Directors could obtain. The Directors have no information to enable them to determine whether the results of Shenzhen Matform for the two months to 31st January, 2001 were material to the financial statements of the Group.

Accordingly, in preparing the financial statements for the year ended 31st March, 2001, the Directors were unable to satisfy themselves as to whether either the impairment loss in respect of Shenzhen Matform of approximately HK$320,843,000 or the gain on deconsolidation of approximately HK$189,835,000 disclosed in notes 12 and 7 respectively were fairly stated.

Any adjustments arising from the matters described in (i) to (iii) above would affect the net assets of the Company and the Group as at 31st December, 2001 and the profit and cash flows of the Group for the nine months then ended. Any adjustment arising from the matters described in (iv) to (x) above would affect the profit and cash flows of the Group for the same period.

Also, as a result of the matters described in (iv) to (x) above, the comparative figures at 31st March, 2001 shown in the consolidated balance sheet on pages 25 and 26 and in the consolidated income statement for the year then ended on page 24 may not be comparable with the figures for the current period.

4. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current period, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants. Adoption of these standards has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 5. In addition, the new and revised standards have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised standards has resulted in the following changes to the Group's accounting policies that have affected the amounts reported for the current or prior periods.

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 year ended 31st March, 2001 have been amended so that they are presented on a consistent basis.

Goodwill

In the current period, the Group has adopted SSAP 30 "Business Combinations" and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Goodwill arising on acquisitions prior to 1st April, 2001 had been charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as impairment losses were identified. Negative goodwill arising on acquisitions prior to 1st April, 2001 had been credited to income at the time of disposal of the relevant subsidiary, associate or joint venture.

4. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(Cont'd)*

Goodwill *(Cont'd)*

Goodwill arising on acquisitions after 1st April, 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions after 1st April, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

5. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention. The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the balance sheet date other than those as set out in note 19. The results of subsidiaries acquired or disposed of during the period/year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal/loss of effective control, as appropriate.

Where the Company holds more than half of the issued share capital of a subsidiary, but does not control the composition of the board of directors or equivalent governing body, the financial statements of that subsidiary are not consolidated because to do so would be misleading. Where the Company is in a position to exercise significant influence, such investments are dealt with as associates as appropriate. Otherwise, they are dealt with as investments in securities.

All significant intercompany transactions and balances within the Group, other than with subsidiaries not consolidated, are eliminated on consolidation.

5. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

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, associate or jointly controlled entity at the date of acquisition.

Goodwill arising on acquisitions after 1st April, 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Goodwill arsing on acquisition prior to 1st April, 2001 had been charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as the goodwill was determined to be impaired.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of unamortised goodwill/goodwill previously eliminated against or credited to reserves, is included in the determination of the profit or loss on disposal.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost, less any identified impairment loss.

The results of the subsidiaries not consolidated are accounted for by the Group based on the Group's share of results and the Group's investments in these companies are stated in the consolidated balance sheet at its attributable share of net assets/liabilities of the companies concerned.

5. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Interests in jointly controlled entities

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. 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.

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 plus the premium paid/less any discount on acquisition in so far as it has not already been written off or amortised or released to income less any identified impairment loss. 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.

The Company's investments in jointly controlled entities are stated at cost, as reduced by any impairment loss. Results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

Investments in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the period/year. In the consolidated balance sheet, investments in associates are stated at the Group's share of the net assets of the associates plus the premium paid less any discount on acquisition in so far as it has not already been written off or amortised or released to income, less any identified impairment loss.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

5. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Turnover

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

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Installation service income is recognised when services are provided.

Interest income on bank deposits is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Rental income, including rental invoiced in advance from assets under operating leases, is recognised on a straight line basis over the duration of the leases.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

5. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and amortisation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present condition and location of its intended use.

Expenditure on major overhauls of property, plant and equipment is capitalised as a separate component of the relevant asset. The component is depreciated over the period to the next overhaul.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation and amortisation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual values, using the straight line method, at the following rates per annum:

Leasehold land	Shorter of the relevant lease term or 40 years
Buildings	Shorter of the relevant lease term or 40 years
Factory improvements	4.5% — 10%
Plant and machinery	9% — 15%
Furniture, fixtures and equipment	15% — 20%
Motor vehicles	18% — 25%

Assets held under finance leases are depreciated over their estimated useful lives or, where shorter, the lease term on the same basis as owned assets.

5. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the impairment loss is treated as revaluation decrease under that accounting standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that accounting standard.

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rental expenses are charged to the income statement on a straight line basis over the relevant lease term.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

5. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Inventories *(Cont'd)*

Previously, cost is computed on a first-in, first-out basis. With effect from 1st April, 2001, cost is computed on a weighted average basis. The effect of such change on the financial statements for the nine months ended 31st December, 2001 is immaterial.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries, associates and jointly controlled entities which are denominated in foreign currencies are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

Retirement benefits scheme

The retirement benefit costs charged in the income statement represent the amount of contributions payable to the Group's defined contribution retirement benefit scheme ("Defined Contribution Scheme") and the mandatory provident fund schemes ("MPF Scheme").

Taxation

The charge for taxation is based on the results for the period/year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Cash equivalents

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advances.

6. SEGMENT INFORMATION

The Group's operations are principally located in the PRC and Hong Kong. An analysis of the Group's revenue and segment results by business and geographical segments is as follows:

BUSINESS SEGMENTS

	Distribution and manufacturing of cement and clinker	Distribution of ceramic tiles, granite and marble products			
		Sales of good	Installation services	Total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
1.4.2001 to 31.12.2001					
Segment revenue	27,019	8,346	104	8,450	35,469
Segment results	2,898			293	3,191
Amortisation of goodwill	(2,925)			—	(2,925)
Indirect overheads					(8,027)
Gain on deconsolidation of subsidiaries					61,121
Profit from operations					53,360
Gain on financial restructuring					976,860
Restructuring expenses					(14,338)
Finance costs					(58)
Share of results of a jointly controlled entity	17,578				17,578
Profit before taxation					1,033,402
1.4.2000 to 31.3.2001					
Segment revenue	—	66,030	—	66,030	66,030
Segment results	—			(45,059)	(45,059)
Indirect overheads					(39,926)
Gain on deconsolidation of subsidiaries					189,835
Profit from operations					104,850
Restructuring expenses					(7,870)
Losses attributable to investments					(331,261)
Property, plant and equipment written off					(17,416)
Finance costs					(82,247)
Loss before taxation					(333,944)

6. SEGMENT INFORMATION *(Cont'd)*

GEOGRAPHICAL SEGMENTS

	Hong Kong		PRC		Total	
	1.4.2001 to 31.12.2001	1.4.2000 to 31.3.2001	**1.4.2001 to 31.12.2001**	1.4.2000 to 31.3.2001	**1.4.2001 to 31.12.2001**	1.4.2000 to 31.3.2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue	**8,450**	45,018	**27,019**	21,012	**35,469**	66,030
Segment results	**293**	(30,626)	**2,898**	(14,433)	**3,191**	(45,059)
Amortisation of goodwill			**(2,925)**	—	**(2,925)**	—
Indirect overheads					**(8,027)**	(39,926)
Gain on deconsolidation of subsidiaries					**61,121**	189,835
Profit from operations					**53,360**	104,850
Gain on financial restructuring					**976,860**	—
Restructuring expenses					**(14,338)**	(7,870)
Losses attributable to investments					—	(331,261)
Property, plant and equipment written off					—	(17,416)
Finance costs					**(58)**	(82,247)
Share of results of a jointly controlled entity					**17,578**	—
Profit (loss) before taxation					**1,033,402**	(333,944)

6. SEGMENT INFORMATION *(Cont'd)*

	31.12.2001			31.3.2001
	Distribution and manufacturing of cement and clinker	**Distribution of ceramic tiles, granite and marble products**	**Total**	Distribution of ceramic tiles, granite and marble products
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*
(a) BALANCE SHEET				
(i) ASSETS				
Segment assets	**14,087**	**3,754**	**17,841**	(6,640)
Goodwill	**90,686**	**—**	**90,686**	—
Interest in a jointly controlled entity	**169,118**	**—**	**169,118**	—
Amount due from a jointly controlled entity	**10,561**	**—**	**10,561**	—
Dividend receivable from a jointly controlled entity	**23,754**	**—**	**23,754**	—
Unallocated corporate assets			**27,202**	330
Consolidated total assets			**339,162**	(6,310)
(ii) LIABILITIES				
Segment liabilities	**7,338**	**28,245**	**35,583**	289,478
Unallocated corporate liabilities			**3,659**	826,103
Consolidated total liabilities			**39,242**	1,115,581

6. SEGMENT INFORMATION *(Cont'd)*

(b) OTHER INFORMATION

	1.4.2001 to 31.12.2001				1.4.2000 to 31.3.2001
	Distribution and manufacturing of cement and clinker	Distribution of ceramic tiles, granite and marble products	Unallocated corporate assets	Total	Distribution of ceramic tiles, granite and marble products
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Additions of property, plant and equipment	837	269	475	1,581	35
Depreciation and amortisation	14	59	29	102	10,576
Impairment losses recognised in income	—	80	—	80	17,416

GEOGRAPHICAL SEGMENTS

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located.

	Carrying amount of segment assets		Additions to property, plant and equipment	
			1.4.2001 to	1.4.2000 to
	31.12.2001	31.3.2001	**31.12.2001**	31.3.2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**308,206**	(19,375)	**837**	—
Hong Kong	**30,956**	13,065	**744**	35
	339,162	(6,310)	**1,581**	35

7. GAIN ON DECONSOLIDATION OF SUBSIDIARIES

	1.4.2001 to 31.12.2001	1.4.2000 to 31.3.2001
	HK$'000	*HK$'000*
Gain on deconsolidation of subsidiaries *(note a)*	**61,121**	—
Gain on deconsolidation of Shenzhen Matform *(note b)*	**—**	189,835
	61,121	189,835

Notes:

(a) The amount represents gain on deconsolidation of subsidiaries which were put into liquidation during the nine months ended 31st December, 2001.

(b) The amount represented gain on deconsolidation of results of Shenzhen Matform, as described in note 19, after the release of translation reserve of approximately HK$1,297,000 previously written off against the Group's reserves.

8. PROFIT FROM OPERATIONS

	1.4.2001 to 31.12.2001	1.4.2000 to 31.3.2001
	HK$'000	*HK$'000*
Profit from operations has been arrived at after charging:		
Staff costs:		
Directors' remuneration *(note 9)*	**871**	2,561
Retirement benefits scheme contribution, net of forfeited contributions of nil (year ended 31st March, 2001: HK$434,000)	**176**	241
Other staff costs	**5,089**	13,397
	6,136	16,199
Auditors' remuneration:		
Current year	**805**	1,158
Underprovision in prior years	**180**	—
Depreciation and amortisation:		
Owned assets	**99**	6,697
Assets held under finance leases	**3**	3,879
Rental payment for premises under operating leases	**1,192**	2,969
Loss on disposal of property, plant and equipment	**73**	—
and after crediting:		
Interest income	**452**	9
Gain on disposal of property, plant and equipment	**—**	36
Rental income in respect of rented premises with negligible outgoings	**—**	299

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of the directors and the five highest paid individuals are summarised as follows:

(a) Directors' emoluments

	1.4.2001 to 31.12.2001 HK$'000	1.4.2000 to 31.3.2001 HK$'000
Directors' fees:		
Independent non-executive directors	**75**	—
Other emoluments:		
Executive directors		
Salaries and other benefits	**770**	2,288
Performance related bonuses	**7**	—
Contributions to retirement benefits scheme	**19**	273
	796	2,561
	871	2,561

The directors' emoluments are within the following bands:

	1.4.2001 to 31.12.2001 Number of directors	1.4.2000 to 31.3.2001 Number of directors
Nil to HK$1,000,000	**10**	4
HK$1,000,001 — HK$1,500,000	**—**	1

No director waived any emoluments in the current period (year ended 31st March, 2001: nil).

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Cont'd)*

(b) Employees' emoluments

The five highest paid individuals included two directors (year ended 31st March, 2001: four directors) of the Company, whose emoluments are included in (a) above. The emoluments of the remaining three highest paid individuals (year ended 31st March, 2001: one), which were individually less than HK$1,000,000, were as follows:

	1.4.2001 to 31.12.2001	1.4.2000 to 31.3.2001
	HK$'000	*HK$'000*
Salaries and other benefits	**680**	545
Performance related bonuses	**7**	—
Contributions to retirement benefits scheme	**29**	21
	716	566

During the period from 1st April, 2001 to 31st December, 2001 and the year ended 31st March, 2001, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

10. GAIN ON FINANCIAL RESTRUCTURING

	1.4.2001 to 31.12.2001	1.4.2000 to 31.3.2001
	HK$'000	*HK$'000*
Gain on debts waived	**957,583**	—
Write-back of share of loss in an associate *(note 21)*	**19,375**	—
Loss on disposal of subsidiaries *(note 37)*	**(98)**	—
	976,860	—

11. RESTRUCTURING EXPENSES

Included in restructuring expenses for the nine months ended 31st December, 2001 was an amount of approximately HK$1,212,000 in respect of redundancy payment incurred by the Group during the period.

12. LOSSES ATTRIBUTABLE TO INVESTMENTS

	1.4.2001 to 31.12.2001	1.4.2000 to 31.3.2001
	HK$'000	*HK$'000*
Impairment losses in value of subsidiaries not consolidated	—	320,843
Provision for amounts due from associates	—	4,713
Impairment losses in value of investments in securities	—	4,154
Write-off of investments in securities	—	1,551
	—	331,261

13. FINANCE COSTS

	1.4.2001 to 31.12.2001	1.4.2000 to 31.3.2001
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings wholly repayable within five years	**56**	69,383
Finance lease obligations	**2**	12,168
Convertible note	—	696
	58	82,247

14. TAXATION

	1.4.2001 to 31.12.2001	1.4.2000 to 31.3.2001
	HK$'000	*HK$'000*
The charge comprises:		
Share of taxation of a jointly controlled entity	**2,263**	—

No provision for Hong Kong Profits Tax is made as the Group does not have any assessable profit for the period/year.

In accordance with the tax legislations applicable to foreign investment enterprises, the PRC subsidiary and the jointly controlled entity are entitled to exemptions from PRC income tax for the two years commencing from the first profit-making year of operation and thereafter, entitled to a 50% relief from PRC income tax for the next three years.

No provision for PRC income tax has been made for the Group as the PRC subsidiary enters into first profit-making year and is exempted from PRC income tax in 2001 which is also the first year that the jointly controlled entity enjoys 50% relief from PRC income tax. The applicable income tax rate is 13.5%.

Details of the unprovided deferred taxation are set out in note 33.

15. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the net profit for the period of HK$1,028,584,000 (year ended 31st March, 2001: loss of HK$333,944,000) and on the weighted average number of 30,784,172,004 (year ended 31st March, 2001: 934,876,089) shares in issue during the period/year.

Additional basic and diluted earnings (loss) per share figures have also been presented, based on the earnings (loss) excluding certain non-recurring items as follows:

	1.4.2001 to 31.12.2001	1.4.2000 to 31.3.2001
	HK$'000	*HK$'000*
Net profit (loss) for the period/year	**1,028,584**	(333,944)
Adjustment for:		
Gain on financial restructuring	**(976,860)**	—
Restructuring expenses	**14,338**	7,870
Earnings (loss) for the period/year for the purpose of additional basic and diluted earnings (loss) per share excluding non-recurring items	**66,062**	(326,074)

	1.4.2001 to 31.12.2001	1.4.2000 to 31.3.2001
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**30,784,172,004**	934,876,089
Effect of dilutive potential ordinary shares — convertible note	**7,224,700**	—
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**30,791,396,704**	934,876,089

No diluted loss per share has been presented for the year ended 31st March, 2001 as the exercise prices of share options were greater than the market price of the Company's shares and conversion of the convertible note would result in a decrease in the loss per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Plant and machinery	Construction in progress	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP							
COST							
At 1st April, 2001	703	25	—	—	152	159	1,039
Additions	38	155	211	266	375	536	1,581
Disposals	—	—	—	—	—	(159)	(159)
Written off	—	(25)	—	—	(152)	—	(177)
At 31st December, 2001	741	155	211	266	375	536	2,284
DEPRECIATION AND IMPAIRMENT							
At 1st April, 2001	327	10	—	—	99	62	498
Provided for the period	9	7	3	—	36	47	102
Impairment loss	80	—	—	—	—	—	80
Eliminated on disposals	—	—	—	—	—	(85)	(85)
Eliminated on written off	—	(11)	—	—	(112)	—	(123)
At 31st December, 2001	416	6	3	—	23	24	472
NET BOOK VALUES							
At 31st December, 2001	325	149	208	266	352	512	1,812
At 31st March, 2001	376	15	—	—	53	97	541

The net book value of leasehold land and buildings held by the Group at the balance sheet date comprises land in Hong Kong under medium-term lease.

The net book value of furniture, fixtures and equipment includes an amount of approximately HK$37,000 (31.3.2001: nil) in respect of assets held under finance leases.

The Company had no property, plant and equipment at the balance sheet date.

17. GOODWILL

	THE GROUP
	HK$'000
COST	
Addition *(note 35)* during the period and balance at 31st December, 2001	93,611
AMORTISATION	
Charge for the period and balance at 31st December, 2001	(2,925)
NET BOOK VALUE	
At 31st December, 2001	90,686

Goodwill is amortised over 20 years.

18. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE TO SUBSIDIARIES

	THE COMPANY	
	31.12.2001	31.3.2001
	HK$'000	*HK$'000*
Unlisted investments	**251,395**	50,582
Amounts due from subsidiaries	**15,255**	506,435
	266,650	557,017
Less: Impairment losses	—	(557,017)
	266,650	—
Amounts due to subsidiaries	**5,345**	37,630

The value of the unlisted investments in subsidiaries at 31st March, 2001 was based on the book values of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the holding company of the Group under the group reorganisation in 1994.

None of the subsidiaries had any loan capital outstanding at the end of the year or at any time during the period.

18. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE TO SUBSIDIARIES *(Cont'd)*

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the current directors, amounts will not be repayable in the next twelve months from the balance sheet date and the amounts are therefore shown as non-current.

Particulars of the principal subsidiaries of the Company at 31st December, 2001 are set out in note 47.

19. INTERESTS IN SUBSIDIARIES NOT CONSOLIDATED

	THE GROUP	
	31.12.2001	31.3.2001
	HK$'000	*HK$'000*
Share of net assets	**—**	—
Amounts due from the subsidiaries not consolidated	**13,230**	334,074
Less: Provision	**(13,230)**	(334,074)
	—	—

Details of the subsidiary not consolidated at 31st December, 2001, which is established and operates in the PRC, are as follows:

Name of subsidiary	Registered capital	Proportion of nominal value of registered capital indirectly held by the Company %	Principal activities
Foshan Hunter Ceramic Co., Ltd. ("Foshan Hunter") — *note (a)*	US$5,012,500	60	Manufacture and sale of ceramic products

19. INTERESTS IN SUBSIDIARIES NOT CONSOLIDATED *(Cont'd)*

The net losses, including provision, of the subsidiary not consolidated at 31st December, 2001 attributable to the Group are:

	Current period *HK$'000*	Previous years since acquisition *HK$'000*
Dealt with in the consolidated financial statements	—	(19,107)
Not dealt with in the consolidated financial statements	—	—

Notes:

(a) The Group holds 60% interest in the registered capital of Foshan Hunter and exercises significant influence in their management but there are restrictions imposed on the Group's ability to appoint a majority of directors. Accordingly, the results of Foshan Hunter have not been consolidated into the Group's consolidated financial statements and equity accounting for sharing the results of Foshan Hunter has to be adopted. However, in view of liquidity position of the Group and Foshan Hunter, the Group did not provide further finance to Foshan Hunter, the operations of which were adversely affected. Accordingly, full provision was made against the amount due from Foshan Hunter.

(b) Interest in subsidiaries not consolidated at 31st March, 2001 included 71.7% interest in Shenzhen Matform. On 1st February, 2001, because Shenzhen Matform was unable to meet its financial obligations as they fell due, its factory was seized by its creditors. As a result of this, the current directors were unable to exercise control over Shenzhen Matform. Accordingly, Shenzhen Matform has been deconsolidated from that date.

On 16th May, 2001, Shenzhen Matform was disposed of and no longer a subsidiary of the Company from that date.

The amounts due from subsidiaries not consolidated are unsecured, interest-free and have no fixed terms of repayment.

20. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	31.12.2001	31.3.2001
	HK$'000	*HK$'000*
Share of net assets	**169,118**	—

As explained in note 2(d), the interest in a jointly controlled entity represents 60% interest in Shanghai Allied Cement Co., Ltd. (the "JCE"), a corporate equity joint venture established in the PRC and engaged in the manufacturing of cement. The registered capital of the JCE is US$24,000,000 and the JCE is for a term of 50 years from 31st December, 1993.

The following details have been extracted from the audited financial statements of the JCE, and adjusted to conform with the Group's accounting policies, for the year ended 31st December, 2001.

Results for the year

	HK$'000
Turnover	239,314
Profit before taxation	33,881
Share of post-acquisition profit before taxation	17,578

Financial position

	HK$'000
Non-current assets	287,681
Current assets	224,839
Current liabilities	(191,089)
Non-current liabilities	(39,567)
Net assets	281,864

21. INTERESTS IN ASSOCIATES

	THE GROUP	
	31.12.2001	31.3.2001
	HK$'000	*HK$'000*
Share of net liabilities	—	(19,375)
Amounts due from associates	**41,479**	131,554
Less: Provision	**(41,479)**	(131,554)
	—	(19,375)

Particulars of the Group's associate at 31st December, 2001, which is established in the PRC, are as follows:

Name of associate	Registered capital	Proportion of nominal value of registered capital held by the Group %	Principal activities
Foshan Three Union Ceramic Co., Ltd. ("Three Union")	US$6,652,800	48	Manufacture and sale of ceramic products

The share of net liabilities as at 31st March, 2001 represented the Group's share of loss of Three Union 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 Three Union were released and discharged. Thus, the whole amount of share of net liabilities in previous years was written back to the consolidated income statement during the nine months ended 31st December, 2001.

Following the review of the business operations of the associates, the Group did not provide further finance and support to them in view of the liquidity position of the Group. As a result, the operations and results of the associates were adversely affected, provision was made against the interests in and amounts due from the associates.

22. INVESTMENTS IN SECURITIES

	THE GROUP	
	31.12.2001	31.3.2001
	HK$'000	*HK$'000*
Investment securities		
Non-current equity securities		
Unlisted shares, at cost	**4,154**	4,154
Less: Impairment losses	**(4,154)**	(4,154)
	—	—

23. INVENTORIES

	THE GROUP	
	31.12.2001	31.3.2001
	HK$'000	*HK$'000*
Raw materials	**2,250**	—
Work in progress	**570**	—
Finished goods	**1,046**	102
	3,866	102
Inventories stated at net realisable value	**—**	102

24. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing its trade customers credit periods normally ranging from 30 days to 120 days. Included in trade and other receivables at 31st December, 2001 are trade receivables of approximately HK$6,338,000 and their aged analysis is as follows:

	THE GROUP
	31.12.2001
	HK$'000
0 — 90 days	**6,245**
91 — 180 days	**93**
	6,338

As explained in note 3(a)(v), no aged analysis in respect of trade debtors at 31st March, 2001 is presented as no sufficient information is available.

25. PLEDGED SHORT-TERM BANK DEPOSITS

The amount represent deposits pledged to banks to secure short-term banking facilities granted to the Group and are therefore classified as current assets.

26. TRADE AND OTHER PAYABLES AND DEPOSITS

Included in trade and other payables and deposits at 31st December, 2001 are trade payables of approximately HK$29,056,000 and their aged analysis is as follows:

	THE GROUP
	31.12.2001
	HK$'000
0 — 90 days	**1,868**
91 — 180 days	**2,562**
Over 1 year	**24,626**
	29,056

As explained in note 3(a)(v), no aged analysis in respect of trade creditors at 31st March, 2001 is presented as no sufficient information is available.

27. CONVERTIBLE NOTE

The convertible note was entitled to be redeemed in full in prior years but was settled by the Group during the nine months ended 31st December, 2001 in accordance with the terms set out in the Financial Restructuring. Details of this are set out in note 2.

28. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	31.12.2001	31.3.2001	**31.12.2001**	31.3.2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable under finance leases				
Within one year	**11**	66,083	**6**	66,083
In the second to fifth years inclusive	**40**	—	**31**	—
	51	66,083	**37**	66,083
Less: Future finance charges	**(14)**	—	**—**	—
Present value of lease obligations	**37**	66,083	**37**	66,083
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(6)**	(66,083)
Amount due for settlement after 12 months			**31**	—

It is the Group's policy to lease certain of its furniture, fixtures and equipment under finance leases. The average lease term is 5 years. For the nine months ended 31st December, 2001, the average effective borrowing rate was 11%. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

28. OBLIGATIONS UNDER FINANCE LEASES *(Cont'd)*

During the year ended 31st March, 2001, the Group received writs and demands from its finance lease creditors for immediate repayment of the outstanding finance lease obligations. Accordingly, all such obligations of the Group have been classified as current liabilities. Pursuant to the Financial Restructuring, all writs and demands received by the Group were released and discharged by the finance lease creditors during the nine months ended 31st December, 2001.

29. BANK BORROWINGS

	THE GROUP	
	31.12.2001	31.3.2001
	HK$'000	*HK$'000*
Bank borrowings comprise the following:		
Bank import loans	**1,089**	323,905
Bank term loans	**—**	294,701
Bank overdrafts	**—**	114,614
	1,089	733,220
Analysed as:		
Secured	**1,089**	—
Unsecured	**—**	733,220
	1,089	733,220

The above loans and overdrafts are repayable on demand or within one year.

Pursuant to the Financial Restructuring, the bank borrowings outstanding at 31st March, 2001 were settled and discharged during the nine months ended 31st December, 2001. Details of these are set out in note 2.

30. SHARE CAPITAL

	Number of ordinary shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.10 each at 1st April, 2000 and 31st March, 2001	2,000,000,000	200,000
Cancellation of unissued authorised share capital of HK$0.10 each	(1,065,123,911)	(106,512)
Reduction of the nominal value of issued shares of HK$0.10 each to HK$0.01 each	—	(84,139)
Increase in authorised share capital of HK$0.01 each	39,065,123,911	390,651
Ordinary shares of HK$0.01 each at 31st December, 2001	40,000,000,000	400,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each at 1st April, 2000 and 31st March, 2001	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 31st December, 2001	36,469,752,178	364,697

30. SHARE CAPITAL *(Cont'd)*

(a) Authorised share capital

i. The nominal value of each issued share was reduced from HK$0.10 to HK$0.01. The Company's issued share capital of approximately HK$93,487,000 comprising 934,876,089 shares of HK$0.10 each was approximately reduced by HK$84,139,000 to HK$9,348,000 comprising 934,876,089 shares of HK$0.01 each.

ii. The entire unissued share capital of approximately HK$190,651,000 (including the unissued share capital of approximately HK$84,139,000 resulting from the aforesaid capital reduction) was cancelled.

iii. The authorised share capital was increased from approximately HK$9,348,000 to HK$400,000,000 divided into 40,000,000,000 shares of HK$0.01 each.

(b) Issue of new shares

New shares were issued in accordance with the Financial Restructuring, details of which are shown in notes 2 (b)-(d).

There was no movement in the share capital of the Company in the year ended 31st March, 2001.

31. SHARE OPTION SCHEME

Pursuant to the share option scheme (the "Scheme") which was adopted by the Company on 22nd April, 1994, the board of directors of the Company may grant to any director or employee of the Company or any of its subsidiaries options to subscribe for shares in the Company, in accordance with the terms of the Scheme. The maximum number of shares in respect of which options may be granted must not exceed 10% of the issued share capital of the Company from time to time.

The details of share options granted by the Company pursuant to the Scheme are as follows:

		Number of share options outstanding	
Exercisable period	**Exercise price**	**31.12.2001**	31.3.2001
	HK$		
25th October, 1994 to 24th October, 2004	0.64	—	25,500,000
19th December, 1994 to 18th December, 2004	0.53	—	3,000,000
		—	28,500,000

No options were exercised by the option holders during the period/year.

All the share options outstanding at 31st March, 2001 lapsed on 15th May, 2001 following the resignation of the option holders on the same date according to the terms of the Scheme.

32. RESERVES

	Share premium account HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Translation reserve HK$'000	Merger reserve HK$'000	Share of reserves of a jointly controlled entity HK$'000	Deficit HK$'000	Total HK$'000
THE GROUP								
At 1st April, 2000	420,653	918	—	(6,195)	1,799	—	(1,297,312)	(880,137)
Realised on 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 30)*	—	—	—	—	—	—	84,139	84,139
Translation surplus arising from translation of financial statements of operations outside Hong Kong	—	—	—	1,923	—	—	—	1,923
Realised on disposal of subsidiaries	—	—	—	1,931	—	—	—	1,931
Net profit for the period	—	—	—	—	—	—	1,028,584	1,028,584
Transfer to reserves	—	—	—	—	—	4,402	(4,402)	—
At 31st December, 2001	420,653	918	—	(3,638)	1,799	4,402	(522,935)	(98,801)
Attributable to:								
The Company and subsidiaries	420,653	918	—	(7,492)	1,799	—	(1,586,348)	(1,170,470)
Associates	—	—	—	—	—	—	(44,908)	(44,908)
At 31st March, 2001	420,653	918	—	(7,492)	1,799	—	(1,631,256)	(1,215,378)
The Company and subsidiaries	420,653	918	—	(3,638)	1,799	—	(512,396)	(92,664)
Associate	—	—	—	—	—	—	(18,899)	(18,899)
Jointly controlled entity	—	—	—	—	—	4,402	8,360	12,762
At 31st December, 2001	420,653	918	—	(3,638)	1,799	4,402	(522,935)	(98,801)
THE COMPANY								
At 1st April, 2000	420,653	918	50,382	—	—	—	(625,974)	(154,021)
Net loss for the year	—	—	—	—	—	—	(17,356)	(17,356)
At 31st March, 2001	420,653	918	50,382	—	—	—	(643,330)	(171,377)
Arising from capital reduction of ordinary shares *(Note 30)*	—	—	—	—	—	—	84,139	84,139
Net profit for the period	—	—	—	—	—	—	3,418	3,418
At 31st December, 2001	420,653	918	50,382	—	—	—	(555,773)	(83,820)

32. RESERVES *(Cont'd)*

The merger reserve of the Group represents the difference between the nominal amount of the share capital of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the share capital issued by the Company as consideration for the acquisition under the reorganisation.

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of All Gold Investments Limited and its subsidiaries at the date on which the corporate reorganisation became effective and the nominal amount of the Company's shares issued under the reorganisation.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Share of reserves of a jointly controlled entity is attributable to reserve fund and enterprise expansion fund. The reserve fund is to be used to expand the enterprise's working capital. When the enterprise suffers losses, the reserve fund may be used to make up unrecovered losses under special circumstances. The enterprise expansion fund is to be used for business expansion and, if approved, can also be used to increase capital.

At the balance sheet date, the Company had no reserves available for distribution to shareholders.

33. DEFERRED TAXATION

At the balance sheet date, the net potential deferred tax asset in respect of timing differences which have not been recognised is analysed as follows:

	THE GROUP		THE COMPANY	
	31.12.2001	31.3.2001	**31.12.2001**	31.3.2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Tax effect of timing differences attributable to:				
Tax losses	**27,210**	51,580	17,341	15,805
Difference between depreciation allowances claimed for tax purposes and depreciation charged in the financial statements	**(17)**	(19)	—	—
	27,193	51,561	17,341	15,805

The net potential deferred tax asset has not been recognised in the financial statements as it is not certain that the asset will be realised in the foreseeable future.

The net potential deferred tax (credit) charge arising during the period/year, which has not been recognised in the income statement, is as follows:

	THE GROUP		THE COMPANY	
	1.4.2001 to 31.12.2001	1.4.2000 to 31.3.2001	**1.4.2001 to 31.12.2001**	1.4.2000 to 31.3.2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Tax effect of timing differences attributable to:				
Tax loss arising	**(2,178)**	(10,545)	(1,536)	(1,193)
Shortfall of depreciation allowances claimed for tax purposes over depreciation charged in the financial statements	**(2)**	(230)	—	—
Others	**—**	5,685	—	—
Subsidiaries deconsolidated and disposed of:	**26,548**	—	—	—
	24,368	(5,090)	(1,536)	(1,193)

34. RECONCILIATION OF PROFIT (LOSS) BEFORE TAXATION TO NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES

	1.4.2001 to 31.12.2001	1.4.2000 to 31.3.2001
	HK$'000	*HK$'000*
Profit (loss) before taxation	**1,033,402**	(333,944)
Interest expenses	**58**	82,247
Depreciation and amortisation	**3,027**	10,576
Gain on financial restructuring	**(976,860)**	—
Restructuring expenses	**14,338**	7,870
Losses attributable to investments	**—**	331,261
Gain on deconsolidation of subsidiaries	**(61,121)**	(189,835)
Property, plant and equipment written off	**—**	17,416
Loss (gain) on disposal of property, plant and equipment	**73**	(36)
Inventories written off	**—**	8,289
Interest income	**(452)**	(9)
Provision for bad and doubtful debts	**—**	20,227
Share of results of a jointly controlled entity	**(17,578)**	—
Impairment losses in property, plant and equipment	**80**	—
(Increase) decrease in inventories	**(3,764)**	10,152
(Increase) decrease in trade and other receivables, deposits and prepayments	**(8,755)**	29,117
Decrease in amount due from former immediate holding company	**4,812**	—
Increase in amounts due from a jointly controlled entity	**(3,674)**	—
(Decrease) increase in trade and other payables and deposits	**(1,659)**	27,394
Increase in amounts due from associates	**—**	(42)
Net cash (outflow) inflow from operating activities excluding restructuring expenses	**(18,073)**	20,683
Restructuring expenses	**(14,338)**	(7,870)
Net cash (outflow) inflow from operating activities	**(32,411)**	12,813

35. ACQUISITION OF A SUBSIDIARY

During the period, the Group acquired 83.3% interest in AII-Shanghai Inc., as described in note 2(d), at a consideration of HK$250,000,000.

	31.12.2001	31.3.2001
	HK$'000	*HK$'000*
NET ASSETS ACQUIRED		
Interest in a jointly controlled entity	**164,785**	—
Dividend receivable from jointly controlled entity	**11,215**	—
Amounts due from former immediate holding company	**4,812**	—
Amount due from a jointly controlled entity	**6,887**	—
Bank balances	**6**	—
Accounts payable and accrued charges	**(31)**	—
	187,674	—
Less: amount attributable to minority interests	**(31,285)**	—
Net assets acquired	**156,389**	—
Goodwill on consolidation	**93,611**	—
	250,000	—
SATISFIED BY:		
Issue of shares	**250,000**	—
Net cash inflow arising from acquisition		
Bank balances acquired	**6**	—

The subsidiary acquired during the period does not have significant contributions to the Group's turnover, profit from operations and cash flows.

The jointly controlled entity acquired during the period contributed approximately HK$12,760,000 to the Group's profit for the nine months ended 31st December, 2001 but does not have significant contribution to the Group's turnover and cash flows.

36. DECONSOLIDATION OF SUBSIDIARIES

	31.12.2001	31.3.2001
	HK$'000	*HK$'000*
Net assets excluded:		
Property, plant and equipment	—	186,190
Inventories	—	18,478
Trade and other receivables	—	8,598
Bank balances and cash	—	91
Trade and other payables and deposits	**(61,121)**	(50,040)
Amounts due to fellow subsidiaries	—	(319,400)
Amounts due to associates	—	(4,671)
Obligations under finance leases	—	(15,476)
Bank borrowings	—	(12,308)
	(61,121)	(188,538)
Translation reserve released upon deconsolidation	—	(1,297)
Gain on deconsolidation of subsidiaries	**(61,121)**	(189,835)
Net cash outflow arising on deconsolidation:		
Bank balances and cash disposed of	—	(91)

The subsidiaries deconsolidated during the nine months ended 31st December, 2001 do not have significant contributions to the Group's turnover, profit from operations and cash flows.

The subsidiary deconsolidated during the year ended 31st March, 2001 contributed approximately HK$19,828,000 to turnover and approximately HK$28,689,000 to loss from operations.

The subsidiary deconsolidated during the year ended 31st March, 2001 contributed approximately HK$4,501,000 to the Group's net operating cash inflow, paid approximately HK$17,027,000 in respect of returns on investments, utilised approximately HK$26,000 in investing activities and advanced approximately HK$12,244,000 from financing activities.

37. DISPOSAL OF SUBSIDIARIES

	31.12.2001	31.3.2001
	HK$'000	*HK$'000*
Net assets disposed of:		
Other receivables	4	—
Bank balances and cash	2	—
Trade and other payables and deposits	(1,839)	—
	(1,833)	—
Translation reserve released upon disposal	1,931	—
Loss on disposal of subsidiaries	98	—
Net cash outflow arising on disposal:		
Bank balances and cash disposed of	(2)	—

The subsidiaries disposed of during the period do not have significant contributions to the Group's turnover, profit from operations and cash flows.

38. ANALYSIS OF CHANGES IN FINANCING DURING THE PERIOD/YEAR

	Share capital	Bank import loans and bank term loans	Obligations under finance leases	Amount due to a former director	Convertible note
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st April, 2000	93,487	511,817	81,559	3,400	23,400
Effect on deconsolidation of a subsidiary	—	(12,308)	(15,476)	—	—
Repayments during the year	—	(136)	—	—	—
At 31st March, 2001	93,487	499,373	66,083	3,400	23,400
Reduction of share capital	(84,139)	—	—	—	—
Issue of new shares for					
— cash *(note 2(b))*	96,000	—	—	—	—
— Restructuring of borrowings *(note 2(c))*	9,349	(5,985)	(264)	—	(297)
— Acquisition of a subsidiary *(note 2(d))*	250,000	—	—	—	—
Waiver of debts	—	(464,014)	(64,466)	(3,397)	(21,644)
Inception of a new finance lease	—	—	40	—	—
Repayments during the period	—	(29,374)	(1,356)	(3)	(1,459)
At 31st December, 2001	364,697	—	37	—	—

39. MAJOR NON-CASH TRANSACTIONS

During the nine months ended 31st December, 2001, the Group entered into certain material non-cash transactions pursuant to the Financial Restructuring, details of which are described in note 2.

During the year ended 31st March, 2001, the Group's advance from a subsidiary deconsolidated of approximately HK$1,443,000 was reclassified as other payables.

40. ANALYSIS OF BANK LOANS AS CASH AND CASH EQUIVALENTS

	31.12.2001	31.3.2001
	HK$'000	*HK$'000*
Maturity period from date of issue:		
— within three months	**1,089**	119,232
— over three months	**—**	204,673
	1,089	323,905

41. RETIREMENT BENEFITS SCHEME

The Group operates a defined contribution scheme (the "Old Scheme") for all qualifying employees of certain of its subsidiaries in Hong Kong up to 30th November, 2000. Starting from 1st December, 2000, the Group is required to participate in the Mandatory Provident Fund Scheme implemented by the Government of Hong Kong in respect of its employees in Hong Kong.

The PRC employees of the Group are members of a state-managed retirement benefit scheme operated by the local government. The Group is required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

Contributions to the Old Scheme of approximately HK$434,000 were forfeited during the year ended 31st March, 2001. There were no significant forfeited contributions, which arose upon employees leaving the retirement benefits scheme and which are available to reduce the contribution payable in the future years at 31st December, 2001 and at 31st March, 2001.

42. OPERATING LEASE 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 31st December, 2001, the Group had commitments to pay rental expenses which fall due as follows:

	THE GROUP		THE COMPANY	
	31.12.2001	31.3.2001	**31.12.2001**	31.3.2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Not later than one year	**3,577**	961	—	196
Later than one year and not later than five years	**1,572**	—	—	—
	5,149	961	—	196

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 same term as that of the fifth year.

43. CAPITAL COMMITMENTS

At the balance sheet date, the Group and the Company had no significant capital commitment.

44. LITIGATIONS

(a) During the year ended 31st March, 1999, the Group received writs from certain bankers and financial institutions in Hong Kong and the PRC seeking repayment of debts in the aggregate amount of approximately HK$144,102,000. In addition, the Group received letters issued by certain bankers and financial institutions demanding repayment of aggregate borrowings of approximately HK$445,824,000. The Group further received claims from a creditor demanding repayment of the Group's outstanding liabilities of approximately HK$1,627,000.

(b) In April, 1999, the Group issued a writ against a debtor for outstanding receivable of approximately 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 (the "Claim"). The Group had sought legal advice regarding the Claim and was advised that the Group has a good prospect in defending the Claim.

(c) In February, 2001, a finance lease creditor of the Group filed a winding-up petition against the Group to claim the amount of approximately HK$2,800,000.

Pursuant to the Financial Restructuring, the litigations described in (a) to (c) above were either settled or discontinued.

45. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	31.12.2001	31.3.2001	**31.12.2001**	31.3.2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to banks and financial institutions in respect of facilities utilised by:				
Subsidiaries	**—**	—	**1,080**	799,303
Subsidiary not consolidated	**—**	15,477	**—**	15,477
Investee company	**—**	8,600	**—**	8,600
	—	24,077	**1,080**	823,380

46. RELATED PARTY TRANSACTIONS

During the period, the Group has entered into the following transactions:

	1.4.2001 to 31.12.2001	1.4.2000 to 31.3.2001
	HK$'000	*HK$'000*
Ultimate holding company		
Office rental expenses, repairs and maintenance	**620**	—
Subsidiaries not consolidated		
Purchases of ceramic products	**—**	884
Associates		
Purchases of ceramic products	**—**	93
Rental income received	**—**	299
Jointly controlled entity		
Sales of cement and clinker	**9,939**	—
Purchase of cement	**161**	—
Trade and other receivables	**2,085**	—
Trade and other payables	**584**	—
Companies which have significant beneficial interests in the Company's ultimate holding company		
Rental expenses, air conditioning charges, repairs and maintenance	**108**	—
Staff costs	**250**	—
A lawyers' firm in which an independent non-executive director is a partner		
Legal and professional fees	**162**	—
A firm of certified public accountants in which an independent non-executive director is a partner		
Professional fees	**100**	—

46. RELATED PARTY TRANSACTIONS *(Cont'd)*

During the period, the JCE paid management fee of approximately HK$692,000 to a subsidiary of the Company's ultimate holding company.

The above transactions were carried out at terms agreed between the relevant parties.

A subsidiary of the Company's ultimate holding company provides guarantees of approximately HK$73,000,000 to banks for banking facilities granted to the JCE. The JCE also provides guarantees of approximately of HK$42,000,000 to banks for banking facilities granted to subsidiaries of the Company's ultimate holding company. A guarantee fee of 1% per annum on the principal amount of the guarantees is chargeable between the relevant parties.

Details of other balances with related parties at the balance sheet date are set out in the consolidated balance sheet and in notes 20 and 21.

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31st December, 2001 are as follows:

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share/ registered capital	Proportion of issued share/ registered capital held by the Company		Principal activities
			Directly %	Indirectly %	
All-Cement Limited	British Virgin Islands	Ordinary US$1	100	—	Investment holding
All-Shanghai Inc.	British Virgin Islands	Ordinary US$15,376,500	83.3	—	Investment holding
Interform Building Material Supplies Limited	Hong Kong	Ordinary HK$2	—	100	Trading of building materials
Interform Construction Supplies Limited	British Virgin Islands	Ordinary US$2	100	—	Investment holding and trading of building materials

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Cont'd)*

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share/ registered capital	Proportion of issued share/ registered capital held by the Company Directly %	Indirectly %	Principal activities
Interform Strategic Holdings Limited	British Virgin Islands	Ordinary US$2	100	—	Investment holding
SAC Engineering Limited	British Virgin Islands	Ordinary US$50,000	100	—	Investment holding
SAC Engineering Company Limited	Hong Kong	Ordinary HK$100	—	100	Trading of building materials
SAC Enterprises Limited	Hong Kong	Ordinary HK$1,000	100	—	Provision of management services to group companies
SAC Finance Company Limited	Hong Kong	Ordinary HK$100	—	100	Provision of financing services to group companies
Shandong Shanghai Allied Cement Co., Ltd.	PRC	Registered capital US$499,995	—	100	Manufacture and distribution of cement and clinker

The above list includes the subsidiaries of the Company which, in the opinion of the current directors, principally affect the results of the Group for the current period or form a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the current directors, result in particulars of excessive length.

48. POST BALANCE SHEET EVENT

For the purpose of enhancing efficient management, the joint venture contract and joint venture articles of Shanghai Allied Cement Co., Ltd. ("Shanghai SAC"), the Group's jointly controlled entity in the PRC, had been agreed to be amended and these amendments were recently approved by the relevant government regulatory authority so that Shanghai SAC has become a subsidiary of the Group. Certain transactions of the Company or its subsidiaries (including Shanghai SAC) have become connected transactions of the Company and are subject to the disclosure and/or shareholders' approval requirements under the Rules Governing the Listing of Securities on the Stock Exchange. Details of these connected transactions were set out in the announcement of the Company dated 13th March, 2002. Had it become a subsidiary of the Group at 31st December, 2001, the pro-forma consolidated balance sheet of the Company at 31st December, 2001 would have been as follows:

	HK$'000
NON-CURRENT ASSETS	
Property, plant and equipment	289,493
Goodwill	90,686
Club debenture	330
	380,509
CURRENT ASSETS	
Inventories	26,708
Properties for sale	7,174
Trade and other receivables	119,401
Deposits and prepayments	46,243
Pledged short-term bank deposits	7,256
Bank balances and cash	56,832
	263,614
CURRENT LIABILITIES	
Trade and other payables and deposits	85,344
Tax payable	1,839
Obligations under finance leases	6
Bank borrowings	102,554
	189,743
NET CURRENT ASSETS	73,871
	454,380

48. POST BALANCE SHEET EVENT *(Cont'd)*

	HK$'000
CAPITAL AND RESERVES	
Share capital	364,697
Reserves	(98,801)
	265,896
MINORITY INTERESTS	148,886
NON-CURRENT LIABILITIES	
Obligations under finance leases	31
Long term bank borrowings	38,731
Deferred taxation	836
	39,598
	454,380

49. COMPARATIVE FIGURES

Restructuring expenses for the year ended 31st March, 2001, which were included in administrative expenses, are separately disclosed in the consolidated income statement to conform with current period's presentation.