The Company registered a consolidated loss after tax of A$1,867,000 or HK$8,119,000 for the financial year ended 31 December 2002 (the "financial year"). Basic loss per share was 1.8 Australian cents per share or 7.7 Hong Kong cents per share.

Foreign exchange losses accounted for approximately A$500,000 or HK$2,100,000 of this loss, and a further sum of approximately A$1,200,000 or HK$5,100,000 is due to a write down in investments and a provision made for convertible notes held by the Group.

Our principle business, Guangzhou Pearl River Rubber Tyre Limited (the "Joint Venture") continues to be profitable despite the difficult operating conditions in China, and the performance of our associate company, Omega Semiconductor Sdn Bhd continues to improve.

The Company has no debt, and does not plan to undertake any borrowings in the foreseeable future.

The Directors do not recommend the payment of any dividend for the financial year.

Guangzhou Pearl River Rubber Tyre Limited

The Company's principal asset is its 70% equity interest in the Joint Venture. The principal activity of the Joint Venture is the manufacture and marketing of bias tyres for commercial vehicles.

The Joint Venture registered a turnover of RMB576,877,000 for the financial year, up 14% from the previous financial year. Net profit after tax was RMB2,250,000. Total unit sales increased by 17% to 1,445,000 tyres. Export sales increased by 14% to RMB106,954,000, but remains at approximately 19% of total sales.

The performance of the Joint Venture was severely affected in the second half of the financial year by a near doubling of the price of natural rubber. Other raw material prices such as nylon cloth and synthetic rubber also increased in line with the rise in the price of petroleum products.

There continues to be an oversupply of bias tyres in China, but despite this, the Joint Venture was able to increase sales due to our strong distribution system, which has also broadened our customer base. This distribution system was set up 3 years ago, and the results have been very encouraging.

Sales in Guangdong Province remain stable, and sales in all outer provinces continue to grow. The Joint Venture has also increased its export sales, and continues to contract manufacture for a foreign tyre company. Despite low initial sales volume in 2001, we are pleased to report that this has now increased by nearly three fold in 2002.

The Joint Venture increased its tyre prices by 3% last year, but unfortunately, this was insufficient to offset the rapid rise in raw material prices. The Joint Venture further increased its tyre prices by 2.5% this year, and will monitor the market closely to gauge its reaction to our price increase and to assess the possibility of further increases.

The Joint Venture continues to explore cost cutting measures. Plant efficiency was also reviewed to ensure optimum levels of productivity. The Joint Venture now employs a total of approximately 2,000 employees, down from a high of 3,200 employees. We expect this level of workforce to be stable for the foreseeable future. Pay rates are maintained at competitive levels and bonuses are awarded on a performance related basis.

The Joint Venture has bank borrowings of RMB135,000,000, down from RMB149,500,000, and a total equity of RMB358,000,000. The bank borrowings are in Renminbi (RMB), and the majority of the Joint Venture's purchases and sales are in China. The Joint Venture has not experienced any problem with loan and principal repayment, and expects the level of bank borrowings to remain stable over the next few years. Cash flow remains strong, and the Joint Venture does not foresee any working capital problems.

The Joint Venture has approved plans to increase production by a further 300,000 tyres this year, at an estimated cost of approximately RMB16 million, to be funded by internally generated cash. The production capacity will then be increased to 2 million tyres per annum. Much of the machinery is already in production and the balance is expected to be completed by the end of the year.

The Joint Venture currently sells almost exclusively on a cash basis in the local market, and by confirmed letter of credit in the export market. The Joint Venture currently does not give any new credit terms to its customers.

Outlook

Overcapacity and price pressure within the tyre industry over the last few years have resulted in a rationalisation and consolidation of the industry, with several tyre factories closing down. The factory is currently running at full capacity, and demand for our tyres continues to be strong.

The current conflict in the Middle East has resulted in uncertainty in the worldwide economy. Natural rubber prices are expected to remain high, but petroleum prices will depend on the outcome of the US led war with Iraq. The factory will continue to monitor the tyre market and will adjust prices accordingly.

We have targeted an improvement in our sales volume by approximately 15% this year, and the sales volume over the first few months of this year has been encouraging. This increase in sales volume will result in the reduction of our unit cost.

It is impossible to predict the outcome of the conflict in the Middle East, but the Directors are cautiously optimistic that we can show an improvement in our performance this year.

Goh Nan Kioh
Director