1. CORPORATE INFORMATION

The financial statements of the Group and of the Company for the financial year ended 31 December 2002 (the "financial year") were authorised for issue in accordance with a resolution of the Directors on 14 March 2003.

The Company was incorporated in the British Virgin Islands on 17 February 1994 and continued under the laws of Bermuda by migration of its domicile on 21 October 1994. The Company was registered in Australia and Hong Kong as a foreign company pursuant to Section 601CE of the then Australian Corporations Law on 4 November 1994 and Part XI of the Companies Ordinance on 24 May 1999 respectively.

The registered office and principal place of business are as follows:

Registered office	:	43 Victoria Street Hamilton HM 12 Bermuda
Principal place of business	:	2001 Central Plaza 18 Harbour Road, Wanchai Hong Kong

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding.

The Group's principal asset is a 70% equity interest in Guangzhou Pearl River Rubber Tyre Limited (the "Joint Venture"). The principal activity of the Joint Venture is the manufacture and marketing of bias tyres for commercial vehicles.

The Group operates in 4 countries and has 10 employees under the payroll of the Company and its subsidiaries. The number of employees of the Joint Venture was 1,908 as at 31 December 2002.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of the Group and of the Company have been prepared on the basis of the historical cost convention and do not take into account changes in either the general purchasing power of the Renminbi ("RMB"), the Australian Dollar ("A$"), the Hong Kong Dollar ("HK$"), the Malaysian Ringgit ("RM") or in the prices of specific assets, except to the extent set out in the accounting policies and notes below.

(b) Basis of Preparation

The Company is listed on the Australian Stock Exchange and The Stock Exchange of Hong Kong (the "SEHK"). The financial statements of the Group and of the Company are prepared in A$ and HK$ for the purposes of the reporting requirements that apply in Australia and Hong Kong. The basis of preparation of the financial statements in each jurisdiction is as follows:

Financial Statements Denominated In A$

The financial statements of the Group and of the Company denominated in A$ have been prepared in accordance with all applicable accounting standards issued by the International Accounting Standards Committee ("IASC"), interpretations issued by the Standing Interpretations Committee of the IASC.

Financial Statements Denominated In HK$

The financial statements of the Group and of the Company denominated in HK$ have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the SEHK.

The accounting policies have been consistently applied by the Group and, except for the changes in accounting policies set out in Note 3(c) below, are consistent with those used in the previous years.

(c) Changes in Accounting Policies

The changes in accounting policies are as follows:

Financial Statements Denominated In A$

The adoption of International Accounting Standards ("IAS") represents a change in the accounting policies adopted, where in previous years, the financial statements of the Group and of the Company were prepared in accordance with all applicable Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB"), Urgent Issues Group Consensus Views and the Corporations Act, 2001.

The change in the adoption of IAS has however no significant impact on the results of the Group and of the Company, as the accounting policies are substantially the same under IAS and AASB.

Warranty Provision

The Group changed its accounting policy with respect to the treatment of warranties for its tyre products. Previously, warranties were recognised in the financial statements of the Joint Venture when incurred. The change in the accounting policy is to be consistent with the treatment prescribed by IAS 37, Provisions, Contingent Liabilities and Contingent Assets and Statement of Standard Accounting Practice 28, Provisions, Contingent Liabilities and Contingent Assets, where warranty cost is accrued when the tyres are sold. The warranty cost is accrued as a provision, based on the historical trend of the warranty claims. In changing from an expense to provision policy, retrospective adjustments were made to the brought forward balances, as if the provisions had been in effect throughout the years. The change in the accounting policy had the following effects on the financial statements of the Group:

(i) reduce the loss from continuing operations for the financial year by A$321,000 or HK$1,358,000;

(ii) reduce the profit from continuing operations for the previous year by A$351,000 or HK$1,463,000; and

(iii) reduce the retained profits brought forward from 1 January 2001 by A$1,680,000 or HK$6,637,000.

(d) Comparative Figures

The comparative figures for the previous years, where applicable, have been restated following the changes in the accounting policies as set out in Note 3(c) above.

(e) Principles of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. The associate and the Joint Venture have been accounted for in the consolidated financial statements using the equity method.

The term "Group" used throughout these financial statements means the Company, the subsidiaries, the associate and the Joint Venture.

Details of the investment in the subsidiaries, the associate and the Joint Venture are set out in Notes 4, 6 and 7.

The bases of consolidation are as follows:

Subsidiaries

Subsidiaries are consolidated using the acquisition method. Under the acquisition method, the results of the subsidiaries acquired or disposed of are incorporated into the consolidated income statements from the date of acquisition or up to the date of disposal. Transactions during the financial year and outstanding balances at the end of the financial year between the Company and the subsidiaries are eliminated in full at the consolidated financial statements.

In the Company's balance sheet, investment in subsidiaries is stated at cost less impairment loss, if any.

Associate

An associate is an entity in which the Group has a long-term equity interest of between 20% to 50% and over whose financial and operating policy decisions the Group has the power to exercise significant influence but not control through board representation. Investment in associate is accounted for in the consolidated financial statements using the equity method.

The equity method involves recognising in the consolidated income statements the Group's share of the results of the associate. In the consolidated balance sheets, investment in associate is carried at an amount that reflects its cost of investment in the associate plus its share of the associate's post-acquisition profits or losses and reserve increments or decrements retained by the associate.

Where necessary, in applying the equity method, adjustments have been made to the financial statements of the associate to ensure consistency of accounting policies with the Group and to eliminate the effects of unrealised profits and losses arising from transactions between the Group and the associate.

The investment in the associate is held by a subsidiary of the Company. In the subsidiary's balance sheet, investment in associate is stated at cost less impairment loss, if any.

Joint Venture

A joint venture is an entity where there exists contractually agreed sharing of control by the Group with the other joint venture partner. Investment in the Joint Venture is accounted for in the consolidated financial statements using the equity method.

The investment in the Joint Venture is held by a subsidiary of the Company. In the subsidiary's balance sheet, investment in the Joint Venture is stated at cost less impairment loss, if any.

(f) Goodwill and Negative Goodwill Arising on Consolidation

Associate

Under the equity method, goodwill or negative goodwill is assessed as the difference between the cost of investment in the associate and the Group's share of the fair value of the identifiable assets and liabilities of the associate.

According to IAS, the carrying amounts of the identifiable assets and liabilities of the associate are examined as the acquisition date and, where appropriate, notionally adjusted to fair values as at that date. Any difference between the cost of the investment in the associate and the investor's share of the net adjusted fair values is regarded as goodwill (or, as the case may be, negative goodwill). Notional adjustments are made to the profit or loss of the associate in subsequent periods to reflect revisions in depreciation of depreciable assets and any amortisation of goodwill. The Standard does not require the goodwill (or negative goodwill) relating to the associate to be disclosed separately in the consolidated financial statements. Whereas under Hong Kong accounting standards:

(i) goodwill is amortised to the consolidated income statements on a straight-line basis over its estimated useful life. The cost of goodwill less any accumulated amortisation and any impairment losses is included in the carrying amount of the interest in associate; and

(ii) negative goodwill is accounted for in the same manner as subsidiaries whilst in respect of any negative goodwill not yet recognised in the consolidated statements, such negative goodwill is included in the carrying amount of the interest in associate.

Joint Venture

The acquisition of the Joint Venture resulted in a negative goodwill of A$763,000, being the difference between the cost of investment in the Joint Venture and the Group's share of the fair value of the identifiable assets and liabilities of the Joint Venture.

The negative goodwill arising from the acquisition of the Joint Venture is treated differently between the financial statements prepared for Australian and Hong Kong purposes.

Under IAS, interests in the Joint Venture are accounted for in the same manner as associate as set out above, with a notional adjustment to the carrying amounts of the identifiable assets and liabilities of the Joint Venture to reflect fair values and a resultant notional goodwill or negative goodwill being calculated. The Group's share of the Joint Venture's profit is then notionally adjusted by amortisation of goodwill and revised depreciation charges in the same manner as is required for associate. Negative goodwill is accounted for as a notional reduction to the fair values of the Joint Venture's non-monetary assets with a consequent reduction in depreciation charges.

Under Hong Kong accounting standards, the negative goodwill is credited to a reserve account. The reserve is then amortised to the income statements on a straight-line basis over an estimated useful life of 8 years.

The effect of the difference in the treatment of the negative goodwill between the IAS and the Hong Kong accounting standards is disclosed in Note 17.

(g) Investments

Investments Held for Long-Term Purposes

Investments which are clearly identified to be held for long-term purposes, including subsidiaries, associate and the Joint Venture, are carried at cost less any allowance for impairment in value in the financial statements of the investors.

The carrying amount of the investments is reviewed annually by directors to ensure that it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed based on the underlying worth of the investments. The expected net cash flows from the investments have not been discounted to their present value in determining the recoverable amounts.

An allowance for impairment in the value of the investments is made and recognised as an expense in the income statement.

Listed Investments

Securities in listed corporations are stated at fair values. Fair values are determined by reference to stock exchanges quoted market bid prices at the close of business on the balance sheet date.

Increases in the value of non-current listed investments are credited directly to an asset revaluation reserve, unless they are reversing a previous decrement charged to the income statement, in which case the increment is credited to the income statement. Decreases in the value of listed investments are recognised as an expense in the income statement, unless they are reversing a revaluation increment previously credited to, and still included in the balance of the asset revaluation reserve in respect of that same class of assets.

Other Investments

Other investments not held for trading purposes are stated at the lower of cost and fair values at the balance sheet date. The fair value is the market value as determined by directors.

On Disposal of Investments

When the investments are disposed of, the cumulative gain or loss previously reported in the asset revaluation reserve is recognised as a transfer to retained profits.

(h) Plant and Equipment

Plant and equipment are stated at cost or revalued amount less accumulated depreciation and impairment losses. Depreciation of plant and equipment is calculated using the straight-line method to write off the cost or revalued amount over their estimated useful lives, allowing for their estimated residual values. The annual depreciation rates, expressed on a percentage of cost, are as follows:

Plant and equipment (depending on the nature of the asset)	6.43% or 9.50%

Surpluses arising on revaluation are credited to revaluation reserve. Any deficits arising on revaluation are charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same assets. In all other cases, a decrease in carrying amount is charged to the income statement. On disposal of revalued assets, amounts in the revaluation reserve relating to those assets are transferred to retained profits.

(i) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and in banks, demand deposits and 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 financial institutions repayable within three months from the date of the advances, if any.

(j) Share Capital

Share capital is recognised at the fair value of the consideration received by the Group and the Company.

(k) Provisions and Contingent Liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(l) Borrowing Costs

Interest charges incurred are charged to the income statement except those interest charges directly attributable to the acquisition, construction or production of qualifying assets (being assets that necessarily take a substantial period of time to get ready for their intended use or sale) which are capitalised as part of the cost of those assets. Capitalisation or deferral of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

(m) Foreign Currency Translation

Financial Statements of the Company, Subsidiaries, Associate and the Joint Venture

The financial statements of the Company, subsidiaries, associate and Joint Venture are maintained in the respective operating currencies.

Transactions in foreign currencies are translated at the average rate of exchange ruling during the financial year. Monetary assets and liabilities denominated in foreign currencies are translated into the respective operating currencies at the exchange rates prevailing at the balance sheet date whilst non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Foreign currency translation gains or losses are included in the income statement.

Financial Statements of the Group

For Australian reporting purposes, the financial statements of the associate and the Joint Venture are translated into A$ using the exchange rate prevailing at the balance sheet date for assets and liabilities whilst the average rate is used to translate revenues and expenses. Any exchange difference arising from the translation is taken as a movement on the foreign currency translation reserve. The foreign currency translation reserve represents the Group's proportionate interest in the reserve of the associate and the Joint Venture.

For Hong Kong reporting purposes, the consolidated financial statements are translated from A$ to HK$. The consolidated balance sheets are translated into HK$ at the exchange rate prevailing at the balance sheet date, whereas the consolidated income statements are translated into HK$ at the average rate ruling during the financial year. Any exchange difference arising from the translation is taken as a movement on the foreign currency translation reserve.

(n) Revenue Recognition

Interest Income

Interest income is recognised on an accrual basis.

Dividend Income

Dividends are brought to account in the consolidated income statement when received except those dividends from the Joint Venture which are brought to account when they are proposed by the Joint Venture.

(o) Related Parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or significant influence.

(p) Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenues, expenses, assets and liabilities are determined before intra-group transactions and balances are eliminated as part of the consolidation process, except to the extent that such intra-group transactions and balances are between group enterprises within a single segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets, both tangible and intangible, that are expected to be used for more than one period.

4. EQUIPMENT

	THE GROUP			
	2002	**2001**	**2002**	**2001**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Balance at the beginning of the financial year, net of accumulated depreciation	188	222	751	962
Depreciation	(32)	(34)	(139)	(145)
Foreign currency translation adjustment	–	–	70	(66)
Balance at the end of the financial year, net of accumulated depreciation	156	188	682	751
Cost	331	331	1,454	1,322
Accumulated depreciation	(175)	(143)	(772)	(571)
Net carrying amount	156	188	682	751

5. RECEIVABLES

	THE GROUP			
	2002	**2001**	**2002**	**2001**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Non-Current				
Other receivables	–	14	–	56
Current				
Amount owing by the Joint Venture	53	128	234	510
Other receivables	1,530	3,956	6,714	15,777
	1,583	4,084	6,948	16,287

	THE COMPANY			
	2002	**2001**	**2002**	**2001**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Non-Current				
Amount owing by subsidiaries	8,800	7,634	38,619	30,444
Other receivables	71	14	308	56
	8,871	7,648	38,927	30,500
Current				
Amount owing by the Joint Venture	–	128	–	510
Other receivables	–	4	–	15
	–	132	–	525

The ageing analysis of receivables is as follows:

	THE GROUP			
	2002	**2001**	**2002**	**2001**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Outstanding less than one year	1,583	4,084	6,948	16,287
Outstanding more than one year	–	14	–	56
	1,583	4,098	6,948	16,343

	THE COMPANY			
	2002	**2001**	**2002**	**2001**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Outstanding less than one year	–	132	–	525
Outstanding more than one year	8,871	7,648	38,927	30,500
	8,871	7,780	38,927	31,025

The amounts owing by the Joint Venture and the subsidiaries are unsecured, interest-free and not subject to fixed terms of repayment.

6. OTHER FINANCIAL ASSETS

	THE GROUP			
	2002	**2001**	**2002**	**2001**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Non-Current				
Available-for-sale securities:				
– Securities listed on prescribed stock exchanges, outside Australia and Hong Kong, at fair value (being market value)	1,366	2,063	5,994	8,226
Held-to-maturity securities:				
– Investment in 8% convertible notes [1]	665	–	2,919	–
	2,031	2,063	8,913	8,226
Current				
Held-to-maturity securities:				
– Investment in 8% convertible notes [1]	–	1,330	–	5,304

	THE COMPANY			
	2002	**2001**	**2002**	**2001**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Non-Current				
Investments in subsidiaries [2]	35,992	35,992	157,946	143,539

Notes:

1. The investment in 8% convertible notes is stated at cost less allowance for impairment loss of A$665,000 or HK$2,815,000 (2001 – Nil).

2. This represents investments of A$1 and A$35,992,000 in two wholly-owned controlled subsidiaries, PRT Capital Pte Ltd and Carham Assets Limited respectively.

The investment in 8% convertible notes is held by PRT Capital Pte Ltd in a proprietary limited company incorporated in Australia together with a company which is substantially and collectively owned and controlled by two directors of the Company, namely Ang Guan Seng and Goh Nan Kioh. PRT Capital Pte Ltd has not received or accrued for any interest in respect of the 8% convertible notes.

Particulars of the controlled subsidiaries are as follows:

Name	Place/Date of Incorporation/ Establishment	Authorised/ Issued and Fully Paid-Up Share Capital	Attributable Equity Interest 2002	Attributable Equity Interest 2001	Principal Activities
PRT Capital Pte Ltd	The British Virgin Islands/ 3 December 1996	US$50,000/US$1	100%	100%	Investment holding
Carham Assets Limited	The British Virgin Islands/ 1 September 1997	US$50,000/US$2	100%	100%	Investment holding

7. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	THE GROUP			
	2002	**2001**	**2002**	**2001**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Investment in the Joint Venture	53,774	60,479	237,644	247,320
Investment in associate	5,130	3,077	22,514	12,272
	58,904	63,556	260,158	259,592

The investments are stated at cost and adjusted to reflect changes in the Group's share of the net assets of the Joint Venture and the associate. Information relating to the Joint Venture and the associate are set out in Notes 8 and 9, respectively.

8. INVESTMENT IN THE JOINT VENTURE

Name	Place/Date of Incorporation/ Establishment	Authorised/ Issued and Fully Paid-Up Share Capital	Attributable Equity Interest 2002	Attributable Equity Interest 2001	Principal Activities
Joint Venture					
Guangzhou Pearl River Rubber Tyre Limited	The People's Republic of China (the "PRC")/ 11 December 1993	US$63,236,666/ US$43,202,166	70%	70%	Manufacture and sales of bias tyres

The Joint Venture was established as a Sino-foreign joint venture under the Chinese Joint Venture Law. The Joint Venture is 70% owned by Carham Assets Limited and 30% owned by Guangzhou Guang Xiang Tyre Enterprise Group Company Limited, a state-owned enterprise, established in Guangzhou, the PRC.

	2002 *A$'000*	2001 *A$'000*	2002 *HK$'000*	2001 *HK$'000*
The movement in the carrying amount of the investment in the Joint Venture is as follows:				
At 1 January (as reported previously)	62,479	58,826	255,296	258,107
Share of adjustment on change in the accounting policy for provision for warranty claims	(2,000)	(1,553)	(7,976)	(6,761)
At 1 January (as restated)	60,479	57,273	247,320	251,346
Share of movement in reserves:				
– net profit	401	1,285	1,485	5,148
– proposed dividends	(1,502)	(3,306)	(6,595)	(13,189)
– translation reserve	(5,604)	5,227	(4,566)	4,015
At 31 December (as restated, where applicable)	53,774	60,479	237,644	247,320

	2002 A$'000	2001 A$'000	2002 HK$'000	2001 HK$'000
The Group's share of the Joint Venture's assets and liabilities are as follows:				
Non-current assets	51,289	57,927	225,077	231,018
Current assets	32,355	41,248	141,982	164,501
Current liabilities	(29,870)	(38,696)	(131,078)	(154,328)
	53,774	60,479	235,981	241,191
Reversal of notional adjustment applied under IAS	–	–	(1,785)	(1,416)
Discount on acquisition credited to reserves *(Note 17)*	–	–	3,448	7,545
Net assets at 31 December	53,774	60,479	237,644	247,320
The Group's share of the Joint Venture's revenues and expenses are as follows:				
Revenues	90,100	80,503	381,401	335,767
Costs and expenses	(88,039)	(77,747)	(372,890)	(324,481)
Profit from continuing operating activities	2,061	2,756	8,511	11,286
Finance costs	(1,429)	(1,601)	(6,049)	(6,679)
Profit from continuing operations before taxes	632	1,155	2,462	4,607
Tax expense	(231)	130	(977)	541
Net profit from continuing operations *(Note 22)*	401	1,285	1,485	5,148

A reconciliation of the statutory tax rate to the effective tax rate applicable to income from continuing operations of the Joint Venture for the financial year was as follows:

	2002 %	2001 %
Statutory tax rate	27	27
Availability of unutilised tax losses brought forward	(19)	(27)
Effective tax rate based on the local operating currency	8	–

9. INVESTMENT IN ASSOCIATE

Name	Place/Date of Incorporation/ Establishment	Authorised/ Issued and Fully Paid-Up Share Capital	Attributable Equity Interest 2002	Attributable Equity Interest 2001	Principal Activities
Associate					
Omega Semiconductor Sdn Bhd	Malaysia/ 25 November 1993	RM5,000,000/ RM2,928,100	28.4%	26.1%	Provision of "full turnkey" subcontracting services for the manufacture of semiconductor components

	2002 A$'000	2001 A$'000	2002 HK$'000	2001 HK$'000
The movement in the carrying amount of the investment in the associate is as follows:				
At 1 January	3,077	2,562	12,272	11,152
New capital invested	1,180	132	4,996	552
Share of movement in reserves:				
– net profit	873	383	3,695	1,599
– translation reserve	–	–	1,551	(1,031)
At 31 December	5,130	3,077	22,514	12,272
The Group's share of the associate's assets and liabilities are as follows:				
Non-current assets	3,375	2,292	14,811	9,141
Current assets	2,543	1,742	11,160	6,947
Non-current liabilities	(747)	(945)	(3,278)	(3,769)
Current liabilities	(1,382)	(649)	(6,065)	(2,588)
	3,789	2,440	16,628	9,731
Premium on acquisition of associate	1,341	637	5,886	2,541
Net assets at 31 December	5,130	3,077	22,514	12,272

	2002 *A$'000*	2001 *A$'000*	2002 *HK$'000*	2001 *HK$'000*
The Group's share of the associate's revenues and expenses are as follows:				
Revenues	5,686	3,542	24,070	14,772
Costs and expenses	(4,630)	(2,940)	(19,600)	(12,261)
Profit from continuing operating activities	1,056	602	4,470	2,511
Finance costs	(96)	(70)	(406)	(291)
Profit from continuing operations before taxes	960	532	4,064	2,220
Tax expense	(87)	(149)	(369)	(621)
Net profit from continuing operations *(Note 22)*	873	383	3,695	1,599

A reconciliation of the statutory tax rate to the effective tax rate applicable to income from continuing operations of the associate for the financial year was as follows:

	2002 %	2001 %
Statutory tax rate	28	28
Availability of reinvestment allowances	(17)	(22)
Deferred tax	1	15
Others, net	(3)	2
Effective tax rate based on the local operating currency	9	23

10. CASH AND CASH EQUIVALENTS

	THE GROUP			
	2002	**2001**	**2002**	**2001**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Cash in hand and at banks	828	721	3,634	2,876
Short-term deposits	3,605	2,571	15,822	10,253
	4,433	3,292	19,456	13,129

	THE COMPANY			
	2002	**2001**	**2002**	**2001**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Cash in hand and at banks	52	116	230	462
Short-term deposits	–	2,571	–	10,253
	52	2,687	230	10,715

Short-term deposits with maturity of less than three months have effective interest rates of 0.7% to 1.9% (2001 – 1.8% to 5.3%) per annum.

11. ISSUED CAPITAL

	THE COMPANY			
	2002	**2001**	**2002**	**2001**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Authorised share capital 150,000,000 ordinary shares of A$0.20 each	30,000	30,000	166,305	166,305
Issued and fully paid-up share capital	21,024	21,024	110,716	110,716

The issued and fully paid-up share capital of the Company comprises 105,116,280 (2001 – 105,116,280) ordinary shares of A$0.20 each.

12. REVALUATION RESERVE

The revaluation reserve represents the Group's share of the surplus on revaluation of buildings of the Joint Venture arising from the land and buildings swap in the financial year ended 31 December 2000.

The revaluation reserve is not distributable by way of dividends.

13. CAPITAL RESERVES

	THE GROUP			
	2002	**2001**	**2002**	**2001**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
General reserve *(a)*				
At 1 January	7,200	7,200	40,685	40,305
Transfer from capital reserve arising on consolidation	–	–	418	380
At 31 December	7,200	7,200	41,103	40,685
Capital reserve arising on consolidation *(b)*				
At 1 January	–	–	1,181	1,561
Transfer to general reserve	–	–	(418)	(380)
At 31 December	–	–	763	1,181
Total capital reserves	7,200	7,200	41,866	41,866

(a) *This relates to the general reserve and enterprise expansion funds maintained in accordance with the prevailing PRC's laws and regulations applicable to Sino-foreign joint ventures in the PRC.*

(b) *This relates to the negative goodwill arising on acquisition of the Joint Venture. The reserve is amortised over an estimated useful life of 8 years in accordance with the Accounting Guidelines issued by the Hong Kong Society of Accountants.*

The capital reserves are not distributable by way of dividends.

14. FOREIGN CURRENCY TRANSLATION RESERVE

	THE GROUP			
	2002	**2001**	**2002**	**2001**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
At 1 January (as reported previously)	25,697	20,374	3,564	3,696
Foreign currency translation adjustment arising from the change in accounting policy	31	127	124	(124)
At 1 January (as restated)	25,728	20,501	3,688	3,572
Adjustments arising from the translation of the financial statements of the associate and the Joint Venture	(5,604)	5,227	581	116
At 31 December (as restated, where applicable)	20,124	25,728	4,269	3,688

	THE COMPANY			
	2002	**2001**	**2002**	**2001**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
At 1 January	–	–	(86,521)	(69,464)
Adjustments arising from the translation of the Company's financial statements	–	–	18,236	(17,057)
At 31 December	–	–	(68,285)	(86,521)

The foreign currency translation reserve is not distributable by way of dividends.

15. RETAINED PROFITS

	THE GROUP			
	2002	**2001**	**2002**	**2001**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
At 1 January (as reported previously)	4,291	3,131	34,366	29,742
Cumulative effect of the change in accounting policy	(2,031)	(1,680)	(8,100)	(6,637)
At 1 January (as restated)	2,260	1,451	26,266	23,105
Net (loss)/profit from continuing operations	(1,867)	809	(8,119)	3,161
At 31 December (as restated, where applicable)	393	2,260	18,147	26,266

	THE COMPANY			
	2002	**2001**	**2002**	**2001**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
At 1 January	8,628	9,639	46,723	50,941
Net loss from continuing operations	(1,540)	(1,011)	(6,516)	(4,218)
At 31 December	7,088	8,628	40,207	46,723

According to the prevailing PRC's laws and regulations applicable to Sino-foreign joint ventures in the PRC, discretionary dedicated capital, which includes a general reserve fund, an enterprise expansion fund and a staff welfare and incentive bonus fund, should be maintained by the Joint Venture. The Board of Directors of the Joint Venture determines the amount of the annual appropriations to the dedicated capital. Such appropriations are reflected in the Joint Venture's balance sheet under equity. The appropriation for the staff welfare and incentive bonus fund is charged to the income statement of the Joint Venture. This amount, together with general reserve amounting to 10% of the distributable profit for the financial year, net of losses previously incurred, will not be available for distribution to shareholders once appropriated. As at 31 December 2002, the outstanding amount in the general reserve fund of the Joint Venture is as follows:

	2002			2001		
	RMB'000	*A$'000*	*HK$'000*	*RMB'000*	*A$'000*	*HK$'000*
General reserve fund	28,014	6,014	26,394	27,853	6,580	26,240

The dividends from the Joint Venture are declared based on profits reported in its statutory financial statements which are prepared in accordance with the PRC accounting standards. Such profits will be different from the amounts reported under IAS or Hong Kong GAAP. During the financial year ended 31 December 2002, the Joint Venture declared a final dividend of RMB10,000,000 (31 December 2001 – RMB20,000,000) of which RMB7,000,000 is due to Carham Assets Limited for the financial year ended 31 December 2002. As at 31 December 2002, the Joint Venture had distributable retained earnings of approximately RMB19,274,000 (31 December 2001 – RMB21,366,000), after taking into account the declaration of the final dividend, as reported in the financial statements of the Joint Venture prepared in accordance with the PRC accounting standards.

16. TOTAL EQUITY

	THE GROUP			
	2002	**2001**	**2002**	**2001**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
At 1 January (as reported previously)	76,217	69,734	310,087	305,595
Cumulative effect of the change in accounting policy	(2,000)	(1,553)	(7,976)	(6,761)
At 1 January (as restated)	74,217	68,181	302,111	298,834
Total changes in equity recognised in the income statement	(7,471)	6,036	(7,538)	3,277
At 31 December (as restated, where applicable)	66,746	74,217	294,573	302,111

	THE COMPANY			
	2002	**2001**	**2002**	**2001**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
At 1 January	46,157	47,168	184,075	205,350
Total changes in equity recognised in the income statement	(1,540)	(1,011)	11,720	(21,275)
At 31 December	44,617	46,157	195,795	184,075

17. RECONCILIATION BETWEEN IAS AND HONG KONG GAAP

According to IAS, the negative goodwill arising on acquisition of approximately A$763,000, representing the excess of fair values of the identifiable net assets of the Joint Venture acquired over the cost of the acquisition, was applied to notionally reduce the Group's share of the Joint Venture's property, plant and equipment. A notional adjustment has been made to the operating profit of the Joint Venture to then reflect a revision in depreciation arising from the above notional adjustment to property, plant and equipment. The Group has equity accounted its share of the notionally adjusted operating profit of the Joint Venture.

This differs from the method used under the Hong Kong GAAP where no notional adjustment to fair values of assets acquired at a discount. Instead, the discount is credited directly to reserves and amortised over an estimated useful life of 8 years.

A reconciliation of the total equity and net profit from continuing operations showing the difference between the financial statements prepared in accordance with the respective IAS and Hong Kong GAAP is as follows:

	THE GROUP	
	2002	**2001**
Total equity in A$'000 as prepared under IAS	66,746	74,217
Total equity in HK$'000 equivalents	291,125	294,566
Discount on acquisition credited to reserves *(Note 8)*	3,448	7,545
Total equity in HK$'000 restated to conform with Hong Kong GAAP	294,573	302,111
Net profit from continuing operations in A$'000 as prepared under IAS	(1,867)	809
Net profit from continuing operations in HK$'000 equivalents	(7,904)	3,373
Reversal of notional adjustment applied under IAS	(215)	(212)
Net profit from continuing operations in HK$'000 restated to conform with Hong Kong GAAP	(8,119)	3,161

18. PAYABLES

	THE GROUP			
	2002	**2001**	**2002**	**2001**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Amount owing to a director	63	8	276	30
Accruals	277	281	1,217	1,121
	340	289	1,493	1,151

	THE COMPANY			
	2002	**2001**	**2002**	**2001**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Accruals	277	281	1,217	1,121

19. PROVISIONS

	THE GROUP/THE COMPANY			
	2002	**2001**	**2002**	**2001**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Employee benefits	–	–	–	–
Others	21	21	91	83
	21	21	91	83

20. REVENUES

	THE GROUP			
	2002	**2001**	**2002**	**2001**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Gain on foreign exchange	2	548	8	2,284
Interest received and receivable from financial institutions	47	104	200	436
Dividends received and receivable from securities listed on prescribed stock exchanges, outside Australia and Hong Kong	32	75	134	312
Other income	1	–	3	–
	82	727	345	3,032

	THE COMPANY			
	2002	**2001**	**2002**	**2001**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Gain on foreign exchange	–	304	–	1,269
Interest received and receivable from financial institutions	20	102	84	424
	20	406	84	1,693

21. OTHER OPERATING EXPENSES

	THE GROUP			
	2002	**2001**	**2002**	**2001**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Impairment losses:				
– Available-for-sale securities	549	–	2,324	–
– Held-to-maturity securities	665	–	2,815	–
Loss on sale of securities listed on prescribed stock exchanges, outside Australia and Hong Kong	92	131	388	545
Pre-operating expenses written off	–	3	–	13
Other expenses for operating activities	839	933	3,549	3,891
	2,145	1,067	9,076	4,449

	THE COMPANY			
	2002	**2001**	**2002**	**2001**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Other expenses for operating activities	831	932	3,516	3,887

22. SHARE OF NET PROFIT OF THE JOINT VENTURE AND ASSOCIATE ACCOUNTED FOR USING THE EQUITY METHOD

	THE GROUP			
	2002	**2001**	**2002**	**2001**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Share of profit before tax of:				
– the Joint Venture	632	1,155	2,462	4,607
– associate	960	532	4,064	2,220
	1,592	1,687	6,526	6,827
Share of tax expense of:				
– the Joint Venture	(231)	130	(977)	541
– associate	(87)	(149)	(369)	(621)
	(318)	(19)	(1,346)	(80)
Share of net profit of the Joint Venture, net of discount arising on consolidation (2002 – A$51,000 or HK$215,000, 2001 – A$51,000 or HK$212,000) *(Note 8)*	401	1,285	1,485	5,148
Share of net profit of associate *(Note 9)*	873	383	3,695	1,599
	1,274	1,668	5,180	6,747

23. (LOSS)/PROFIT FROM CONTINUING OPERATIONS BEFORE TAX

(i) (Loss)/Profit from continuing operations before tax is arrived at after crediting and charging the following:

	THE GROUP			
	2002	**2001**	**2002**	**2001**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Crediting				
Gain on foreign exchange	2	548	8	2,284
Interest from financial institutions	47	104	200	436
Dividends from securities listed on prescribed stock exchanges, outside Australia and Hong Kong	32	75	134	312
Charging				
Depreciation expense	32	34	139	145
Impairment losses:				
– Available-for-sale securities	549	–	2,324	–
– Held-to-maturity securities	665	–	2,815	–
Loss on foreign exchange	504	–	2,134	–
Loss on sale of securities listed on prescribed stock exchanges, outside Australia and Hong Kong	92	131	388	545
Pre-operating expenses written off	–	3	–	13

	THE COMPANY			
	2002	**2001**	**2002**	**2001**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Crediting				
Gain on foreign exchange	–	304	–	1,269
Interest from financial institutions	20	102	84	424
Charging				
Loss on foreign exchange	187	–	789	–

(ii) Remuneration of directors

	THE GROUP/THE COMPANY			
	2002	**2001**	**2002**	**2001**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Fees				
Executive Directors	30	30	127	125
Non-Executive Directors	65	75	275	313
Other emoluments				
Bonuses	9	12	37	49
Salaries and allowances	43	49	184	205

Number of directors whose income was within the following bands:

	2002	**2001**
A$0 – A$9,999	–	–
A$10,000 – A$19,999	9	10
A$20,000 – A$49,999	–	–
A$50,000 – A$59,999	1	1
	10	11
HK$0 – HK$1,000,000	10	11
HK$1,000,001 and above	–	–
	10	11

No Directors waived any emoluments or received any inducement or compensation for loss of office during the financial years ended 31 December 2002 and 2001.

(iii) Five highest paid employees

The aggregate amount of emoluments paid to the five highest paid employees are as follows:

	THE GROUP/THE COMPANY			
	2002	**2001**	**2002**	**2001**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Bonuses	46	69	195	288
Salaries and allowances	330	266	1,395	1,108

Number of five highest paid employees whose income was within the following bands:

	2002	**2001**
A$0 – A$49,999	–	–
A$50,000 – A$59,999	–	1
A$60,000 – A$69,999	2	2
A$70,000 – A$79,999	2	2
A$80,000 – A$89,999	–	–
A$90,000 – A$99,999	1	–
	5	5
HK$0 – HK$1,000,000	5	5
HK$1,000,001 and above	–	–
	5	5

None of these highest paid employees waived any emoluments or received any inducement or compensation for loss of office during the financial years ended 31 December 2002 and 2001.

24. TAX EXPENSE

The Company was incorporated under the laws of the British Virgin Islands and continued under the laws of Bermuda subsequent to its migration. At the present time, no income, profit, capital or capital gain taxes are levied in Bermuda. Accordingly, no provision for such taxes has been recorded by the Company. In the event that such taxes are levied, the Company has received an undertaking from the Bermuda Government exempting it from all such taxes until 28 March 2016.

No provision for Australian or Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Australia or Hong Kong for the financial years ended 31 December 2002 and 2001.

25. BASIC (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the net loss of A$1,867,000 or HK$8,119,000 (2001 – net profit attributable to shareholders of A$809,000 or HK$3,161,000) for the financial year and on the number of shares in issue during the financial year of 105,116,280 (2001 – 105,116,280).

There is no dilutive effect on the basic (loss)/earnings per share for the financial years ended 31 December 2002 and 2001.

26. NOTES TO THE STATEMENTS OF CASH FLOWS

(i) A reconciliation of the net cash flows from/(used in) operating activities to the net (loss)/profit from continuing operations was as follows:

	THE GROUP		THE COMPANY	
	2002	**2001**	**2002**	**2001**
	A$'000	*A$'000*	*A$'000*	*A$'000*
Net (loss)/profit from continuing operations	(1,867)	809	(1,540)	(1,011)
Adjustments for:				
Depreciation expense	32	34	–	–
Impairment losses:				
– Available-for-sale securities	549	–	–	–
– Held-to-maturity securities	665	–	–	–
Loss on sale of listed securities	92	131	–	–
Pre-operating expenses written off	–	3	–	–
Share of net profit of the Joint Venture and associate	(1,274)	(1,668)	–	–
Operating loss before working capital changes	(1,803)	(691)	(1,540)	(1,011)
Decrease/(Increase) in receivables	3,305	1,673	2	1,523
Increase/(Decrease) in payables	2	(35)	(4)	38
Net cash flows from/(used in) operating activities	1,504	947	(1,542)	550

(ii) A reconciliation of the net cash outflow from operating activities to the net (loss)/profit from continuing operations was as follows:

	THE GROUP		THE COMPANY	
	2002	**2001**	**2002**	**2001**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net (loss)/profit from continuing operations	(8,119)	3,161	(6,516)	(4,218)
Adjustments for:				
Other dividend income	(134)	(312)	–	–
Interest income	(200)	(436)	(84)	(424)
Depreciation expense	139	145	–	–
Impairment losses:				
– Available-for-sale securities	2,324	–	–	–
– Held-to-maturity securities	2,815	–	–	–
Loss on sale of listed securities	388	545	–	–
Pre-operating expenses written off	–	13	–	–
Share of net profit of the Joint Venture and associate	(5,180)	(6,747)	–	–
Operating loss before working capital changes	(7,967)	(3,631)	(6,600)	(4,642)
(Increase)/Decrease in receivables	(8)	(7)	4	23
Increase/(Decrease) in payables	8	(147)	(17)	151
Net cash outflow from operating activities	(7,967)	(3,785)	(6,613)	(4,468)

27. INTEREST IN THE JOINT VENTURE

For better understanding of the Group's operating results, the results of the Joint Venture for the financial year together with the comparative figures for the previous financial year are set out below:

(i) Balance Sheets

	2002	As Restated 2001	2002	As Restated 2001
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
ASSETS				
Non-Current Assets				
Property, plant and equipment	72,493	81,755	318,128	326,048
Intangibles	777	998	3,410	3,978
Total Non-Current Assets	73,270	82,753	321,538	330,026
Current Assets				
Cash and cash equivalents	6,295	10,904	27,627	43,486
Receivables	14,977	23,864	65,723	95,175
Inventories	23,723	22,469	104,104	89,608
Tax assets	1,226	1,688	5,378	6,732
Total Current Assets	46,221	58,925	202,832	235,001
Current Liabilities				
Payables	9,531	14,698	41,827	58,620
Interest-bearing loans and borrowings	28,984	35,315	127,192	140,841
Tax liabilities	612	644	2,685	2,571
Provisions and other liabilities	3,544	4,623	15,550	18,436
Total Current Liabilities	42,671	55,280	187,254	220,468
Net Current Assets	3,550	3,645	15,578	14,533
Net Assets	76,820	86,398	337,116	344,559
EQUITY				
Issued capital	59,475	59,475	348,470	348,470
Capital deficit	(1,066)	(1,066)	(6,323)	(6,323)
Revaluation reserve	2,144	2,144	9,169	9,169
Foreign currency translation reserve	26,909	34,841	28,310	28,453
Accumulated losses	(10,642)	(8,996)	(42,510)	(35,210)
Total Equity	76,820	86,398	337,116	344,559

(ii) Income Statements

	2002	As Restated 2001	2002	As Restated 2001
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Revenue	128,420	114,463	543,616	477,413
Cost of sales	(105,138)	(92,980)	(445,060)	(387,810)
Gross profit	23,282	21,483	98,556	89,603
Other revenue	294	541	1,243	2,254
Administrative and other operating costs	(14,227)	(12,513)	(60,228)	(52,185)
Distribution costs	(6,476)	(5,646)	(27,412)	(23,550)
Profit from continuing operating activities	2,873	3,865	12,159	16,122
Finance costs	(2,042)	(2,287)	(8,642)	(9,541)
Profit from continuing operations before taxes	831	1,578	3,517	6,581
Tax expense	(330)	185	(1,395)	773
Net profit from continuing operations	501	1,763	2,122	7,354
Accumulated losses at the beginning of the financial year (as reported previously)	(6,095)	(3,635)	(23,638)	(14,240)
Cumulative effect of change in accounting policy	(2,901)	(2,400)	(11,572)	(9,482)
Accumulated losses at the beginning of the financial year (as restated)	(8,996)	(6,035)	(35,210)	(23,722)
Dividends on ordinary shares	(2,147)	(4,724)	(9,422)	(18,842)
Accumulated losses at the end of the financial year	(10,642)	(8,996)	(42,510)	(35,210)

(iii) Statements of Cash Flows

	2002	**As Restated 2001**
	A$'000	*A$'000*
Cash flows from operating activities		
Receipts from customers	135,007	114,759
Payments to suppliers and employees	(123,960)	(100,383)
Interest received	96	116
Interest paid	(1,909)	(2,196)
Income taxes paid	(508)	–
Net cash flows from operating activities	8,726	12,296
Net cash flows used in investing activity		
Acquisition of property, plant and equipment	(4,659)	(1,660)
Cash flows from financing activities		
Repayments of loans and borrowings	(3,228)	(5,244)
Repayment to the Company	(78)	(79)
Repayment to a Joint Venture equity holder	(57)	(49)
Dividends paid on ordinary shares	(4,452)	(2,260)
Net cash flows used in financing activities	(7,815)	(7,632)
Net (decrease)/increase in cash and cash equivalents	(3,748)	3,004
Cash and cash equivalents at the beginning of the financial year	10,904	7,122
Exchange rate adjustment	(861)	778
Cash and cash equivalents at the end of the financial year	6,295	10,904

(iv) Statements of Cash Flows

	2002	As Restated 2001
	HK$'000	*HK$'000*
Operating activities		
Receipts from customers	571,486	498,280
Payments to suppliers and employees	(524,721)	(438,326)
Net cash inflow generated from operations	46,765	59,954
Interest paid	(8,082)	(9,158)
Income taxes paid	(2,149)	–
Net cash inflow from operating activities	36,534	50,796
Investing activities		
Acquisition of property, plant and equipment	(19,723)	(6,925)
Interest received	407	484
Net cash outflow from investing activities	(19,316)	(6,441)
Net cash inflow before financial activities	17,218	44,355
Financing activities		
Repayments of loans and borrowings	(13,664)	(21,872)
Repayment to the Company	(330)	(330)
Repayment to a Joint Venture equity holder	(243)	(203)
Dividends paid on ordinary shares	(18,847)	(9,428)
Net cash outflow from financing activities	(33,084)	(31,833)
Net (decrease)/increase in cash and cash equivalents	(15,866)	12,522
Cash and cash equivalents at the beginning of the financial year	43,486	31,007
Exchange rate adjustment	7	(43)
Cash and cash equivalents at the end of the financial year	27,627	43,486

(v) Operating lease commitments

As at 31 December 2002, the total future minimum lease rentals under non-cancellable operating leases are payable to GRTF as follows:

	2002	**2001**	**2002**	**2001**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Within one year	1,189	1,308	5,217	5,217
After one year but not more than five years	4,755	5,232	20,869	20,867
More than five years	16,762	19,724	73,558	78,659
	22,706	26,264	99,644	104,743

The operating leases are in respect of land and buildings and certain machinery. The lease terms are set out in Note 30 to the financial statements. None of these leases includes contingent rentals.

The Group's interest in the above operating leases is 70% (2001 – 70%).

28. FINANCIAL INSTRUMENTS

(i) Financial Risk Management Policies

The Group's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Group's business whilst managing its foreign currency, interest rate, market, credit, liquidity and cash flow risks. The Group operates within defined guidelines that are approved by the Board and the policies in respect of the major areas of treasury activity are as follows:

(a) Foreign Currency Risk

The Group is exposed to foreign currency risk on sales, purchases, borrowings and investments that are denominated in foreign currencies. The Group does not use any derivative financial instruments to manage its exposure to foreign currency risk as the directors are of the opinion that the net exposure is not significant.

At the balance sheet date, the extent of Australian and Hong Kong dollars equivalent of foreign currency monetary items not effectively hedged are set out in Note 33.

(b) Interest Rate Risk

The Group's exposure to interest rate risk arises mainly from cash deposits and interest-bearing loans and borrowings. The Group does not use any derivative financial instruments to manage its exposure to interest rate risk as the directors are of the opinion that the net exposure is not significant.

(c) Market Risk

The Group's exposure to market risk arises mainly from changes in quoted market bid prices. The Group does not use any derivative financial instruments to manage its exposure to market risk.

(d) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from cash deposits and receivables. The maximum exposure to credit risk is represented by the total carrying amounts of these financial assets in the balance sheet reduced by the effects of any netting arrangements with counterparties.

The Group does not have any major concentrations of credit risk related to any individual customer or counterparty.

The Group manages its exposure to credit risk by investing its cash assets safely and profitably, and by the application of credit approvals, credit limits and monitoring procedures on an on-going basis.

(e) Liquidity And Cash Flow Risks

Liquidity and cash flow risks arise mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash and the availability of funding through certain committed credit facilities.

(ii) Net Fair Values

The financial assets and liabilities are carried at fair values in the balance sheet. The fair value of listed securities is determined by reference to market value whilst the investment in 8% convertible notes is stated at cost less allowance for impairment loss.

29. COMMITMENTS

On 28 August 1997, the Company entered into an agreement with GRTF to increase the issued and paid-up share capital of the Joint Venture, the details of which are as follows:

	US$'000	*A$'000*	*HK$'000*
At 28 August 1997	39,667	54,150	306,785
Increased on 30 March 1998	3,535	5,325	27,424
At 31 December 1998	43,202	59,475	334,209
Subsequent increase before:			
– 30 June 1999 (known as the second increase)	11,785	6,632(1)	1,511(2)
– 30 June 2000 (known as the third increase)	8,250	4,643(1)	1,058(2)
	63,237	11,275	2,569

Notes:

1. Translated at A$1.7770: US$1.

2. Translated at HK$7.7983: US$1.

On 25 June 1999, pursuant to a resolution of the Board of Directors, the second and third increases are to be deferred until such time when the Joint Venture requires additional funds to meet its operational requirements. However, in accordance with an approval letter dated 31 December 2002 from the relevant PRC government authorities in respect of the proposed reduction of share capital of the Joint Venture, the shareholders are no longer committed to the above-mentioned increases in the share capital of the Joint Venture.

30. RELATED PARTY TRANSACTIONS

The following is a summary of the related party transactions:

(i) On 2 November 1994, pursuant to an asset investment and leasing agreement entered into between the Joint Venture, the Company and GRTF, the Joint Venture agreed to lease from GRTF the exclusive right to use certain machinery for the duration of the joint venture, being 30 years from 11 December 1993 at RMB2,000,000 per annum. During the financial year ended 31 December 2002, the Joint Venture paid lease rental of approximately A$445,000 or HK$1,885,000 (2001 – A$452,000 or HK$1,886,000) for the machinery.

(ii) The terms of an agreement to license between the Joint Venture and GRTF dated 2 November 1994, which provided for the transfer to the Joint Venture of:

(a) the right to use the trademark "Pearl River"; and

(b) any technology and know-how necessary for the production of bias tyres at the production levels contained in the Joint Venture Agreement for the term of the Joint Venture Agreement.

The Joint Venture paid GRTF US$1,000,000 in 1996 as consideration for the trademark and transfer of technology relating to the production of bias tyres and the expansion project. This consideration has been classified as an intangible asset and is being amortised over a period of 14 years.

During the financial year ended 31 December 2002, the Joint Venture has paid royalties of approximately A$105,000 or HK$442,000 (2001 – A$108,000 or HK$452,000 equal to 0.2% of "Pearl River" tyre sales revenue to GRTF as defined in the Joint Venture Agreement.

(iii) The Joint Venture has contributed to the administrative expenses of a hospital and staff canteen under the management of GRTF. The services of the hospital and staff canteen are provided for the welfare of the staff members of the Joint Venture, GRTF, Guangzhou Bolex Tyre Limited ("Bolex") and a third party. The respective contribution made by the Joint Venture, GRTF, Bolex and a third party is proportional to the number of staff members employed by each of the above entities. During the financial year ended 31 December 2002, the Joint Venture has contributed approximately A$349,000 or HK$1,475,000 (2001 – A$286,000 or HK$1,193,000) as its share of the administrative expenses for the hospital and staff canteen.

(iv) On 28 October 1999, the Joint Venture entered into a leasing agreement to lease a hostel from GRTF. The lease term is 20 years from 1 January 2000 and the annual rental is RMB28,800 for the first 5 years, thereafter, the annual rental will be revised based on the consumer price index at the time. During the financial year ended 31 December 2002, the Joint Venture paid lease rental of approximately A$6,000 or HK$27,000 (2001 – A$7,000 or HK$27,000) for the hostel.

(v) On 30 October 2000, the Joint Venture entered into a real estate lease contract with GRTF to lease a piece of land with an area of 170,729 sq.m. and buildings erected thereon. The buildings leased from GRTF, with a total gross floor area of 42,547 sq.m. are mainly used by the Joint Venture for its office, industrial production and operation purposes. The lease term is 20 years from 20 December 2000 at RMB3,508,668 per annum. The lease rental will be revised based on the land use fee and real estate tax at the time. During the financial year ended 31 December 2002, the Joint Venture paid lease rental of approximately A$781,000 or HK$3,306,000 (2001 – A$793,000 or HK$3,308,000) for the landed properties.

(vi) Pursuant to an agreement entered into between the Joint Venture and Bolex in December 1996, the Joint Venture agreed to process certain raw materials for Bolex in return of a contribution by Bolex of an agreed percentage of the rental costs of the equipment used and the employees employed for such processing service. During the financial year ended 31 December 2002, the contribution received and receivable from Bolex for the processing of the raw materials amounted to approximately A$1,203,000 or HK$5,093,000 (2001 – A$979,000 or HK$4,085,000).

(vii) Pursuant to an agreement entered into between the Joint Venture and Bolex in December 1996, the Joint Venture agreed to provide certain administrative and management services to Bolex in return of a contribution by Bolex of an agreed amount of the respective costs of the supporting divisions involved. During the financial year ended 31 December 2002, the Joint Venture charged Bolex management fee of approximately A$60,000 or HK$252,000 (2001 – A$42,000 or HK$174,000). The Joint Venture also received interest income of approximately A$29,000 or HK$121,000 (2001 – A$42,000 or HK$177,000) from Bolex for advances outstanding during the financial year.

(viii) The 8% unsecured convertible notes are an investment held by PRTC in a proprietary limited company incorporated in Australia together with a company which is substantially and collectively owned and controlled by two directors of the Company, namely Ang Guan Seng and Goh Nan Kioh. The notes are convertible until 31 December 2004, at the option of PRTC, into 50% of the equity capital of the proprietary limited company failing which they will be redeemed at that date. Interest on the notes has not been accrued for the financial year ended 31 December 2002 (2001 – Nil).

The non-executive independent directors of the Company have reviewed the above-mentioned transactions and confirmed that these on-going related party transactions are in the ordinary and usual course of business, on normal commercial terms and are fair and reasonable so far as the shareholders of the Company are concerned.

In addition, in accordance with a waiver letter dated 24 July 2000 in respect of the transactions mentioned in paragraphs (vi) and (vii) from The Stock Exchange of Hong Kong, the non-executive independent directors of the Company also confirmed that the aggregate value of these transactions exceeded 3% of the Group's annual turnover due to a change in accounting treatment of the results of the Joint Venture (the results of the Joint Venture were previously consolidated with the Group's results). The change in the accounting treatment is to comply with the requirements of the respective accounting standards issued by the IASC and the Hong Kong Society of Accountants concerning the reporting interests in joint ventures in the financial statements of an investor). Had the method of accounting for the Joint Venture remained the same as the previous financial years, the aggregate value of the these transactions would have not exceeded 3% of the Group's annual turnover.

Horwath Mok & Poon ("Horwath"), the independent external auditors, has also reviewed the above-mentioned transactions. However, in accordance with the above-mentioned waiver letter, Horwath is only required to comment on the transactions mentioned in paragraphs (vi) and (vii) in this annual report. Accordingly, Horwath confirms that:

(a) these transactions have received the approval of the Directors of the Company;

(b) these transactions have been entered into in accordance with the terms of the agreements governing the on-going related party transactions or, where there is no agreement or document, on terms no less favourable than terms available to or from, as appropriate, independent third parties;

(c) these transactions are conducted in accordance with the pricing policies as stated in the above-mentioned paragraphs; and

(d) the transactions mentioned in paragraphs (vi) and (vii) have exceeded 3% of the Group's annual turnover due to a change in the accounting treatment of the results of the Joint Venture. Had the method of accounting for the Joint Venture remained the same as the previous financial years, the aggregate value of the these transactions would have not exceeded 3% of the Group's annual turnover.

31. AUDITORS' REMUNERATION

	THE GROUP/THE COMPANY			
	2002	**2001**	**2002**	**2001**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Amounts received or due and receivable by the Company's auditors for:				
– statutory audit	65	65	275	271
– mid-year review	25	25	106	104

32. NET TANGIBLE ASSETS BACKING

	THE GROUP			
	2002	**2001**	**2002**	**2001**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Net tangible assets per ordinary share as at 31 December	A$0.63	A$0.71	HK$2.80	HK$2.87

33. FOREIGN CURRENCY EXPOSURE

The Australian and Hong Kong dollars equivalent of foreign currency monetary items included in the financial statements to the extent they are not effectively hedged are as follows:

	THE GROUP			
	2002	**2001**	**2002**	**2001**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Current Assets				
Amounts receivable in foreign currencies which are not effectively hedged:				
– United States Dollar	3,666	2,689	16,088	10,723
– Ringgit Malaysia	221	775	971	3,091
– Singapore Dollar	570	559	2,502	2,228
– Renminbi	1,556	3,363	6,829	13,412
Current Liabilities				
Amounts payable in foreign currencies which are not effectively hedged:				
– Ringgit Malaysia	149	121	656	481

	THE COMPANY			
	2002	**2001**	**2002**	**2001**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Current Assets				
Amounts receivable in foreign currencies which are not effectively hedged:				
– United States Dollar	16	2,689	70	10,723
– Ringgit Malaysia	52	83	229	332
– Renminbi	53	56	234	223
Current Liabilities				
Amounts payable in foreign currencies which are not effectively hedged:				
– Ringgit Malaysia	86	113	379	451

34. SEGMENTAL INFORMATION

The Group operates in the following 5 areas:

(i) the Joint Venture in the PRC relating to the manufacture and sales of bias tyres;

(ii) an associate in Malaysia relating to the provision of subcontracting services for the manufacture of semiconductor components which are supplied to multinational companies engaged in the manufacture of semiconductor products;

(iii) a debt investment in Australia;

(iv) investment in securities listed on a prescribed stock exchange and cash deposits in Singapore; and

(v) investment in securities listed on a prescribed stock exchange and cash deposits in Malaysia.

The following tables present revenue and profit information regarding geographical segments for the financial years ended 31 December 2002 and 2001 and certain asset and liability information regarding geographical segments as at 31 December 2002 and 2001:

	THE PRC	**Australia**	**Singapore**	**Malaysia**	**Total**
	A$'000	*A$'000*	*A$'000*	*A$'000*	*A$'000*
2002					
Revenues from external customers	–	–	26	56	82
Revenues from external customers	–	–	26	56	82
Salaries and employee benefits	(542)	–	–	–	(542)
Depreciation expense	–	–	(16)	(16)	(32)
Loss on foreign exchange	(184)	–	(179)	(141)	(504)
Other operating expenses	(831)	(665)	(224)	(425)	(2,145)
Loss from continuing operating activities	(1,557)	(665)	(393)	(526)	(3,141)
Share of net profit of the Joint Venture and associate	401	–	–	873	1,274
(Loss)/Profit from continuing operations before tax	(1,156)	(665)	(393)	347	(1,867)
Tax expense	–	–	–	–	–
Net (loss)/profit from continuing operations	(1,156)	(665)	(393)	347	(1,867)
Segment assets	1,556	665	1,342	4,640	8,203
Investments accounted for using the equity method	53,774	–	–	5,130	58,904
Total assets	55,330	665	1,342	9,770	67,107
Segment liabilities	299	–	31	31	361

	THE PRC A$'000	Australia A$'000	Singapore A$'000	Malaysia A$'000	Total A$'000
2001					
Revenues from external customers	59	–	525	143	727
Revenues from external customers	59	–	525	143	727
Salaries and employee benefits	(485)	–	–	–	(485)
Depreciation expense	–	–	(17)	(17)	(34)
Other operating expenses	(935)	–	(131)	(1)	(1,067)
(Loss)/Profit from continuing operating activities	(1,361)	–	377	125	(859)
Share of net profit of the Joint Venture and associate	1,285	–	–	383	1,668
(Loss)/Profit from continuing operations before tax	(76)	–	377	508	809
Tax expense	–	–	–	–	–
Net (loss)/profit from continuing operations	(76)	–	377	508	809
Segment assets	3,435	1,330	4,239	1,967	10,971
Investments accounted for using the equity method	60,479	–	–	3,077	63,556
Total assets	63,914	1,330	4,239	5,044	74,527
Segment liabilities	302	–	4	4	310

	THE PRC	Australia	Singapore	Malaysia	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2002					
Revenues from external customers	–	–	108	237	345
Revenues from external customers	–	–	108	237	345
Salaries and employee benefits	(2,295)	–	–	–	(2,295)
Depreciation expense	–	–	(69)	(70)	(139)
Loss on foreign exchange	(779)	–	(758)	(597)	(2,134)
Other operating expenses	(3,519)	(2,815)	(946)	(1,796)	(9,076)
Loss from continuing operating activities	(6,593)	(2,815)	(1,665)	(2,226)	(13,299)
Share of net profit of the Joint Venture and associate	1,485	–	–	3,695	5,180
(Loss)/Profit from continuing operations before tax	(5,108)	(2,815)	(1,665)	1,469	(8,119)
Tax expense	–	–	–	–	–
Net (loss)/profit from continuing operations	(5,108)	(2,815)	(1,665)	1,469	(8,119)
Segment assets	6,829	2,919	5,890	20,361	35,999
Investments accounted for using the equity method	237,644	–	–	22,514	260,158
Total assets	244,473	2,919	5,890	42,875	296,157
Segment liabilities	1,308	–	138	138	1,584

	THE PRC	Australia	Singapore	Malaysia	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2001					
Revenues from external customers	245	–	2,190	597	3,032
Revenues from external customers	245	–	2,190	597	3,032
Salaries and employee benefits	(2,024)	–	–	–	(2,024)
Depreciation expense	–	–	(74)	(71)	(145)
Other operating expenses	(3,900)	–	(545)	(4)	(4,449)
(Loss)/Profit from continuing operating activities	(5,679)	–	1,571	522	(3,586)
Share of net profit of the Joint Venture and associate	5,148	–	–	1,599	6,747
(Loss)/Profit from continuing operations before tax	(531)	–	1,571	2,121	3,161
Tax expense	–	–	–	–	–
Net (loss)/profit from continuing operations	(531)	–	1,571	2,121	3,161
Segment assets	13,702	5,304	16,905	7,842	43,753
Investments accounted for using the equity method	247,320	–	–	12,272	259,592
Total assets	261,022	5,304	16,905	20,114	303,345
Segment liabilities	1,204	–	15	15	1,234

35. SUBSEQUENT EVENTS

No event has since 31 December 2002 arisen that would be likely to materially affect the operations of the Group, the results of the Group or the state of affairs of the Group which has not been disclosed or recognised in the financial statements.

36. FOREIGN EXCHANGE RATES

	2002	**2001**
Average rates during the financial year:		
– A$1 equals RMB	4.4921	4.4241
– A$1 equals HK$	4.2330	4.1709
– A$1 equals RM	2.0611	1.9894
– HK$1 equals RMB	1.0612	1.0607
– HK$1 equals RM	0.4869	0.4770
Rates as at 31 December:		
– A$1 equals RMB	4.6578	4.2333
– A$1 equals HK$	4.3884	3.9881
– A$1 equals RM	2.1384	1.9431
– HK$1 equals RMB	1.0614	1.0615
– HK$1 equals RM	0.4873	0.4872

37. COMPARATIVE FIGURES

The comparative figures for the previous year have been restated to show the changes in accounting policies set out in Note 3(c), the details of which are as follows:

	THE GROUP			
	As Restated	**As Previously Reported**	**As Restated**	**As Previously Reported**
	A$'000	*A$'000*	*HK$'000*	*HK$'000*
Balance Sheets *(Extract)*				
Investments accounted for using the equity method	63,556	65,556	259,592	267,568
Foreign currency translation reserve	25,728	25,697	3,688	3,564
Retained profits	2,260	4,291	26,266	34,366
Income Statements *(Extract)*				
Revenues	727	1,096	3,032	4,572
Other operating expenses	1,067	1,436	4,449	5,989
Share of net profit of the Joint Venture and associate accounted for using the equity method	1,668	2,019	6,747	8,210
Profit from continuing operations before tax	809	1,160	3,161	4,624

38. FIVE YEAR FINANCIAL SUMMARY

	2002	As Restated 2001[(1)]	As Restated 2000[(1)]	As Restated 1999[(1)]	Previously 1999[(2)]	As Reported 1998[(2)]
	A$'000	*A$'000*	*A$'000*	*A$'000*	*A$'000*	*A$'000*
Revenues	82	727	2,585	597	88,434	107,916
(Loss)/Profit from continuing operations before taxes and minority interests	(1,867)	809	(7,894)	(570)	(1,726)	14,240
Tax expense	–	–	–	–	434	(1,030)
Minority interests, net of taxes	–	–	–	–	196	(4,322)
Net (loss)/profit from continuing operations	(1,867)	809	(7,894)	(570)	(1,096)	8,888
Non-current assets	61,091	65,821	64,012	55,691	73,443	77,847
Current assets	6,016	8,706	4,519	11,050	68,283	59,980
Current liabilities	(361)	(310)	(350)	(576)	(49,924)	(38,428)
Minority interests	–	–	–	–	(24,091)	(26,808)
Equity attributable to members of the Company	66,746	74,217	68,181	66,165	67,711	72,591

	2002	As Restated 2001[(1)]	As Restated 2000[(1)]	As Restated 1999[(1)]	Previously 1999[(2)]	As Reported 1998[(2)]
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenues	345	3,032	11,914	2,905	430,231	547,599
(Loss)/Profit from continuing operations before taxes and minority interests	(8,119)	3,161	(36,620)	(3,006)	(8,631)	68,498
Tax expense	–	–	–	–	2,114	(5,026)
Minority interests, net of taxes	–	–	–	–	952	(20,793)
Net (loss)/profit from continuing operations	(8,119)	3,161	(36,620)	(3,006)	(5,565)	42,679
Non-current assets	269,753	268,625	280,681	280,993	369,753	370,863
Current assets	26,404	34,720	19,673	55,251	341,417	283,706
Current liabilities	(1,584)	(1,234)	(1,520)	(2,879)	(249,617)	(181,764)
Minority interests	–	–	–	–	(120,458)	(126,513)
Equity attributable to members of the Company	294,573	302,111	298,834	333,365	341,095	346,292

Notes:

1. The comparative figures for the financial years 1999, 2000 and 2001 have been restated to show the changes in accounting policies set out Note 3(c).

2. The results of the Joint Venture were previously consolidated with the Group's results using the acquisition method. The financial statements of the Joint Venture are now presented in the consolidated financial statements using the equity method.