The consolidated loss for the financial year ended 31 December 2003 was A$5,795,000 or HK$29,610,000. Basic loss per share was 5.5 Australian cents per share or 28.2 Hong Kong cents per share for the financial year. Foreign exchange losses accounted for approximately A$1,135,000 or HK$5,749,000 of this loss, and a further sum of approximately A$665,000 or HK$3,368,000 was due to a write down in investments and allowance made for convertible notes held by the Group.

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

The Directors are pleased to note the continued improved performance and outlook of our associate company, Omega Semiconductor Sdn Bhd.

The Company does not plan to undertake any borrowings in the foreseeable future as the Directors believe that its current resources are sufficient.

Guangzhou Pearl River Rubber Tyre Limited ("the Joint Venture")

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

Turnover was up approximately 0.6% from the previous financial year to RMB580,571,000 for the financial year. Total unit sales increased to 1,460,444 tyres. Export sales increased by 17% to RMB124,815,000. Despite the increased in turnover, the Joint Venture incurred a net loss after tax of RMB35,777,000.

The performance of the Joint Venture was severely affected during the financial year under review 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. The increase of total raw material costs was approximately RMB55,000,000 as compared to the previous financial year. Despite increasing its tyre prices by 7%, it was still insufficient to offset the rapid rise in raw material prices.

Despite an oversupply of bias tyres in China, the Joint Venture was able to increase its sales due to our strong distribution system, which has also broadened our customer base. This distribution system was set up 4 years ago, and the results continue to be encouraging.

Sales in Guangdong Province remain competitive, and sales in all outer provinces continue to grow. The Joint Venture has also increased its export sales, and continues to contract manufacturer for a foreign tyre company.

Despite the losses suffered, the Joint Venture has managed to reduce its dependency on bank borrowings, all of which are in Renminbi (RMB). Borrowings of RMB135,000,000 in the previous financial year were decreased to RMB130,000,000. As cash flow remains strong, the Joint Venture does not foresee any working capital problem and accordingly expects the level of bank borrowings to remain stable over the next few years. The Joint Venture has not experienced any problems with loan and principal repayment to date.

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.

The Joint Venture currently 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. Nevertheless, the Joint Venture has undertaken a continuous review of the plant efficiency to ensure optimum levels of productivity are achieved consistently.

Outlook

The Joint Venture plans to increase its sales volume by approximately 22% this year. Demand for our tyres has remained strong despite an overcapacity of bias tyres in the domestic market. Growth in China continues to be strong with GDP growth rate targeted at 7% for year 2004.

With the planned increase in production, it is crucial that the Joint Venture continuously monitors the market closely to gauge its reaction to the possibility of further increases in our tyre prices in the immediate future.

The Joint Venture will continue to explore cost cutting measures. Strong demand for natural rubber is expected to keep the price of natural rubber around its current level. Petroleum prices are anticipated to remain high in view of the instability in the Middle East and various measures taken by OPEC.

The Directors are cautiously optimistic that with these strategies implemented, we should show further improvements this year.

Goh Nan Kioh
Director