

BUSINESS REVIEW AND PROSPECTS

The Group's results have improved despite the global slowdown. With continued emphasis placed on revenue, cost and efficiency, the Company has been able to perform significantly better.

At the joint-venture tyre manufacturing level, first half sales have increased from A\$35 million or HK\$169 million in the corresponding period to A\$57 million or HK\$239 million as a result of our strengthened distribution network. To keep ahead of the rapidly changing market conditions, several measures, employed in the second half of year 2000, have allowed the Company to achieve greater operational efficiencies and cost savings.

The Company is continuously examining policies to correct other weaknesses and consolidate on our strengths.

The Board of Directors is optimistic that the Company will successfully weather the uncertainties ahead and achieve satisfactory growth in the second half of the year.