

The directors of the Company (“Directors”) present their report and the audited financial statements of the Company and its subsidiaries (collectively “Group”) for the year ended 31 July 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in investments in Internet, information technology and other activities, natural gas business and manufacture and trading of silicone rubber products. In July 2003, the Group disposed of its businesses in manufacture and trading of batteries.

RESULTS

The Group’s loss for the year ended 31 July 2003 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 17 to 54.

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

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of assets and liabilities of the Group for the last five financial years/period, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 55. This summary does not form part of the audited financial statements.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of movements in the Company’s share capital, share options and warrants during the year, together with the reasons therefor, are set out in note 27 to the financial statements.

SHARE OPTION SCHEMES

Due to the adoption of Statement of Standard Accounting Practice No. 34 “Employee benefits” during the year, most of the detailed disclosures relating to the Group’s share option schemes have been moved to note 28 to the financial statements.

Concerning the share options granted during the year to the eligible participants, including employees and consultants as detailed in note 28 to the financial statements, the directors do not consider it appropriate to disclose a theoretical value of the share options granted, because in the absence of a readily market value of the share options of the Company, the Directors were unable to arrive at an assessment of the value of these share options.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company’s Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 29 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 July 2003, no reserve of the Company was available for distribution to shareholders of the Company. In addition, the Company's share premium account of HK\$982,019,000 as at 31 July 2003, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales attributable to the Group's major suppliers and customers are as follows:

	2003 %	2002 %
Purchases		
– the largest supplier	11.6	7.1
– five largest suppliers combined	36.7	28.1
Turnover		
– the largest customer	8.7	11.8
– five largest customers combined	29.3	37.9

None of the Directors or any of their associates (as defined in the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange")) or any shareholders (who, to the knowledge of the Directors, own more than 5% of the Company's share capital) had any beneficial interests in the Group's five largest customers or five largest suppliers.

DIRECTORS

The Directors during the year and up to the date of this report are:

Executive Directors

Mr WONG King Shiu, Daniel (*Chairman*)

Mr WONG Kui Shing, Danny (*Chief Executive Officer*)

Mr ZHOU Weirong (appointed on 30 September 2003)

Mr KAN Kwok Shu

Mr LIN Che Chu, George

Mr CHEN Jian (resigned on 22 January 2003)

Non-Executive Director

Mr SUZUKI Masanori

Independent Non-Executive Directors

Mr CHEUNG Man Yau, Timothy

Mr CHUK Che Shing (appointed on 15 July 2003)

Mr LAU Wah Sum (resigned on 15 July 2003)

In accordance with the Company's Bye-law 86(2), Mr Zhou Weirong and Mr Chuk Che Shing will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. In accordance with the Company's Bye-laws 87 and 169(2), Mr Wong Kui Shing, Danny and Mr Kan Kwok Shu will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group as at the date of this report are as follows:

Executive Directors

WONG King Shiu, Daniel, aged 44, was appointed Director and Chairman of the Company in January 2002. He is responsible for the overall management and decision making on the policy and strategic development of the Group. Mr Wong has over 11 years' investment experience. He graduated from Haking Wong Technical Institute.

WONG Kui Shing, Danny, aged 44, was appointed Director of the Company in March 2001. He joined the Group as Deputy Chief Executive Officer in April 2000 and was promoted to the Chief Executive Officer in September 2000. He is responsible for the Group's overall investment and operations. Mr Wong has extensive exposure in the financial and investment fields for over 17 years and is well experienced in international market. He obtained a Bachelor of Arts degree from the University of Hong Kong.

ZHOU Weirong, aged 45, was appointed Director of the Company in September 2003. Mr Zhou is a businessman and an investor in the stock market in the PRC. Since 1990, he has been involved in properties developments in Wuhan and Shanghai, the PRC and in direct investments in the technology and chemical industry in the PRC. From 1995 to 2001, Mr Zhou was a senior consultant to Luoyang Securities Co. Ltd., a company established in the PRC. Starting from 1996, Mr Zhou extended his investments to Hong Kong's capital market. He is the ultimate controlling shareholder of Tem Fat Hing Fung (Holdings) Limited, the securities of which are listed on The Stock Exchange of Hong Kong Limited.

KAN Kwok Shu, aged 46, was appointed Director and Deputy Chief Executive Officer of the Company in March 2001. He joined the Group as Senior Vice President in May 2000. Besides participating in strategic development and overall operation, Mr Kan also involves in the decision making on the overall investments of the Group. Prior to joining the Group, Mr Kan held various senior positions in leading fund management companies such as Jardine Fleming Investment Management Limited, Euro Pacific Advisers Limited and Thornton Management (Asia) Limited. Mr Kan has over 17 years of investment experience in the Asia-Pacific region, in particular the Greater China Market. Mr Kan obtained a Bachelor degree in Commerce from the University of Calgary, Canada.

LIN Che Chu, George, aged 40, was appointed Director of the Company in April 2002. He oversees and monitors the Group's natural gas-related operation and is closely involved in its strategic decision making and policy setting. He is a direct investment expert with over 11 years' experience in hi-tech investment and venture fund management and an investment professional with domain know-how in technology field. Mr Lin was the president of various venture fund management companies in Taiwan, including Capital Venture Management Limited, Agora Investment Management Limited and CYPAC Investment Management Limited. He was the vice-president of Central Investment Holding Co., Ltd.. Mr Lin holds a Bachelor degree in Engineering from Feng Chia University, Taiwan and a Master of Business Administration degree from Illinois Institute of Technology, Chicago, USA.

Non-executive Director

SUZUKI Masanori, aged 45, was appointed Director of the Company in March 2000 and has been re-designated non-executive Director since January 2002. Mr Suzuki was a director of Hikari Tsushin, Inc in charge of global strategy and investment planning. Prior to joining the Hikari Tsushin group in Japan, Mr Suzuki was a general manager of Jafco, a global venture capital firm and a director of Credit Suisse First Boston Securities. During his services with Nomura Securities Co, Ltd, Mr Suzuki was responsible for investment banking and corporate finance in the Asia-Pacific region. He is currently the president of Ashford Capital, KK. He has a strong background in finance and administration in strategic investment.

Independent Non-executive Directors

CHEUNG Man Yau, Timothy, aged 45, was appointed an independent non-executive Director in April 2002. He is currently a practising accountant and an associate of the Hong Kong Society of Accountants and the Chartered Association of Certified Accountants. He has more than 20 years of extensive experience in the finance field and previously worked for a number of international accounting firms and listed companies in Hong Kong. Mr Cheung graduated from the University of Hong Kong with a Bachelor of Arts degree.

CHUK Che Shing, aged 53, was appointed an independent non-executive Director in July 2003. Mr Chuk has over 25 years of experience in managing knitting business.

Senior Management

WONG Chee Wai, Alan, aged 49, is the Chief Financial Officer of the Group. He joined the Group in March 2001. He is responsible for overseeing the Group's finance, accounting, company secretarial, administration and information technology matters. He has over 24 years of experience in finance, treasury, accounting and administration with various companies in Hong Kong and North America. He holds a Bachelor degree in Arts (major in Economics), a Bachelor degree in Commerce (Honours Business Administration) and a Master of Business Administration degree from the University of Windsor, Ontario, Canada.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' emoluments and of the five highest paid individuals of the Group are set out in notes 8 and 9 to the financial statements respectively.

DIRECTORS' SERVICE CONTRACTS

The Company has entered into a service contract with Mr Chuk Che Shing for a term of two years commencing on 15 July 2003 and the service contract may be terminated by either party giving not less than one month's notice to the other. Upon expiry, the contract will be deemed to be renewed or extended unless terminated by either party giving not less than one month's written notice to the other.

A wholly-owned subsidiary of the Company has entered into service contract with each of Mr Wong Kui Shing, Danny and Mr Kan Kwok Shu and the service contracts will continue in force until terminated by either party giving not less than three months' written notice to the other.

Save as disclosed above, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

During the year, the Group paid a sum of approximately HK\$342,126 to Equity Financial Press Limited and a sum of approximately HK\$54,350 to Central Language Services, Limited in respect of their provision of printing and translation services to the Group respectively. Mr Lau Wah Sum, a former independent non-executive Director, is the chairman of both Equity Financial Press Limited and Central Language Services, Limited.

Save as disclosed above, no Director had a material interest in any contract of significance to the business of the Group to which the Company, its subsidiaries, its fellow subsidiaries or its holding company was a party during the year under review.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 July 2003, the Directors and chief executive of the Company and their respective associates, if any, had the following interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"):

I. Shares

Name of Director	Note	Capacity	Nature of Interest	Number of Shares	Percentage of Issued Shares
WONG King Shiu, Daniel	1	Founder of a discretionary trust	Family	2,180,122,000	25.10
WONG Kui Shing, Danny		Beneficial owner	Personal	15,400,000	0.17
KAN Kwok Shu	2	Beneficial owner	Personal	7,790,000	0.08

Notes:

- As at 31 July 2003, the 2,180,122,000 Shares were held by Noble Islands Int'l Limited ("Noble Islands"). Of this number, 2,067,722,000 Shares and 112,400,000 Shares were registered in the name of Kingston Finance Limited and HKSCC Nominees Limited respectively. The 2,067,722,000 Shares held by Noble Islands, representing approximately 23.8% of the total issued share capital of the Company, were charged. The entire issued share capital of Noble Islands is held by Maxi Gain Corporation which is in turn held by The Daniel K S Wong Family Trust ("Trust"). Mr Wong King Shiu, Daniel, the settlor of the Trust, is a director of Noble Islands and the Trust is managed by Equity Trustee Limited as trustee. The discretionary objects under the Trust are the entities beneficially owned by the family members of Mr Wong. In accordance with the SFO, Mr Wong was deemed to be interested in the 2,180,122,000 Shares held by Noble Islands.

Subsequent to the year-end date, on 11 September 2003, Maxi Gain Corporation, the sole shareholder of Noble Islands and as vendor, entered into an agreement with Capital Fortune Investments Limited as purchaser, of which the sole owner is Mr Zhou Weirong, in relation to the sale and purchase of the entire issued share capital of Noble Islands. Completion of the transaction, which was originally scheduled on 11 November 2003, has been postponed to 12 December 2003. Mr Zhou was appointed Director of the Company on 30 September 2003.

- Subsequent to the year-end date, on 28 August 2003, Mr Kan Kwok Shu sold these 7,790,000 Shares and on 9 September 2003, he has an interest in 19,890,000 Shares following his exercise of subscription rights attaching to the option granted to him by the Company.

II. Share Options

As at 31 July 2003, certain of the Company's directors held share options of the Company and particulars of those outstanding share options granted under the share option schemes as defined in note 28 to the financial statements were as follows:

Name of Director	Date of Grant	Exercise Price HK\$	Exercise Period	Closing Price Before Date of Grant HK\$	Movement of Option Shares during the year				As at 31.7.2003
					As at 1.8.2002	Granted	Exercised	Lapsed	
WONG King Shiu, Daniel ⁺	03.06.2002	0.1530	03.06.2002 - 31.05.2004	0.151	46,600,000	-	-	-	46,600,000
WONG Kui Shing, Danny	20.04.2000	0.7392	20.10.2000 - 19.04.2003	0.690	80,000,000	-	-	80,000,000	-
	12.12.2000	0.2096	12.06.2001 - 11.05.2003	0.265	6,600,000	-	-	6,600,000	-
KAN Kwok Shu *	19.05.2000	0.5568	19.11.2000 - 11.05.2003	0.680	8,000,000	-	-	8,000,000	-
	15.08.2001	0.0893	15.02.2002 - 11.05.2003	0.116	4,800,000	-	-	4,800,000	-
	15.03.2002	0.0550	15.04.2002 - 14.03.2004	0.055	19,890,000	-	-	-	19,890,000
SUZUKI Masanori	20.04.2000	0.7392	20.10.2000 - 19.04.2003	0.690	40,000,000	-	-	40,000,000	-
	12.12.2000	0.2096	12.06.2001 - 11.05.2003	0.265	9,000,000	-	-	9,000,000	-
CHEUNG Man Yau, Timothy	04.07.2002	0.1180	04.07.2002 - 03.07.2004	0.118	4,600,000	-	-	-	4,600,000

+ Please refer to Note 1 above. The closing price refers to the closing price on the date of the Board meeting at which the Board proposed to grant option to Mr Wong King Shiu, Daniel.

* Please refer to Note 2 above.

Subscription rights attaching to the share options are exercisable at different stages as determined by the Board.

Save as disclosed above, the Company or any of its associated corporations did not grant to any Director, their respective spouse or children under 18 years of age of any such Director any right to subscribe for securities of the Company or any of its associated corporations, nor had there been any exercise of such right by such persons during the year.

Save as disclosed above, as at 31 July 2003, none of the Directors, chief executive or their associates had or were deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which has been recorded in the register maintained by the Company pursuant to Section 352 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 July 2003, the following persons, other than the Directors or chief executive of the Company as disclosed aforesaid, had an interest of 5% or more in the issued share capital of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Notes	Capacity	Number of Shares held	Percentage of Issued Shares
Equity Trustee Limited	1, 4	Being a trustee of a discretionary trust	2,180,122,000	25.10
Maxi Gain Corporation	1, 4	Having an interest in a controlled corporation	2,180,122,000	25.10
Noble Islands	1, 2, 4	Being a beneficial owner	2,180,122,000	25.10
Chu Yuet Wah	2, 3	Having an interest in a controlled corporation and being a beneficial owner	2,078,722,000	23.93
Kingston Finance Limited	1, 2	Having a security interest	2,067,722,000	23.81
Ma Siu Fong	2	Having an interest in a controlled corporation	2,067,722,000	23.81
Wu Xu Wen		Being a beneficial owner	526,026,000	6.05

Notes:

- Of these 2,180,122,000 Shares, 2,067,722,000 Shares and 112,400,000 Shares are registered in the names of Kingston Finance Limited and HKSCC Nominees Limited respectively while the 2,067,722,000 Shares were charged. The entire issued share capital of Noble Islands is held by Maxi Gain Corporation which is in turn held by the Trust of which Equity Trustee Limited is the trustee. Mr Wong King Shiu, Daniel, the Chairman and Director of the Company, is the settlor of the Trust. The discretionary objects of the Trust are the entities beneficially owned by the family members of Mr Wong and hence Mr Wong is deemed to be interested in the 2,180,122,000 Shares owned by Noble Islands. As at 24 November 2003, 2,180,122,000 Shares represent 24.16% of the Company's issued share capital.
- Kingston Finance Limited has a security interest in the 2,067,722,000 Shares owned by Noble Islands. Ms Chu Yuet Wah and Ms Ma Siu Fong are controlling shareholders of Kingston Finance Limited and each of them is deemed to be interested in the 2,067,722,000 Shares interested by Kingston Finance Limited. The 2,067,722,000 Shares relate to the same block of Shares held by Noble Islands as mentioned in Note 1 above.
- Other than the deemed interest mentioned in Note 2 above, Ms Chu Yuet Wah was interested in 11,000,000 Shares through her wholly owned company, Drifting Swan Holding Limited. Subsequent to the year-end date, it was reported that the 11,000,000 Shares beneficially owned by Ms Chu Yuet Wah had been sold.
- Subsequent to the year-end date, on 11 September 2003, Maxi Gain Corporation, the sole shareholder of Noble Islands and as vendor, entered into an agreement with Capital Fortune Investments Limited as purchaser, of which the sole owner is Mr Zhou Weirong, in relation to the sale and purchase of the entire issued capital of Noble Islands. Completion of the transaction, which was originally scheduled on 11 November 2003, has been postponed to 12 December 2003. Mr Zhou was appointed Director of the Company on 30 September 2003.

Save as disclosed aforesaid, the Directors are not aware of any person, other than the Directors or chief executive of the Company, who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 31 July 2003.

CONNECTED TRANSACTIONS

During the year, the Group entered into the transactions, which constituted connected transactions under the Listing Rules, and are required to be disclosed in accordance with Chapter 14 of the Listing Rules as follows:

- I. The Group had transactions with the following companies and/or individuals, who are connected persons of the Company as defined in the Listing Rules:

	Notes	Group	
		2003 HK\$'000	2002 HK\$'000
Jiangmen Industrial Products Import and Export Corporation ("JIPIE") and Jiangmen J.J.J. Battery Company Limited ("JJJB")			
Purchase of raw materials	1	3,372	2,020
JJJB			
Rental expenses	2	1,394	3,448
Goldtium (Hong Kong) Company Limited ("Goldtium HK") and Goldtium (Jiang Men) Battery Company Limited ("Goldtium JM")			
Sales of raw materials	3	3,045	3,689
Purchase of finished goods	3	98,999	80,597
Rental	4	–	8,800
JIPIE	5		
Sales of raw materials		–	90
Purchase of raw materials		–	90

JIPIE and JJJB are the respective existing and former shareholders of Goldtium JM. Goldtium HK and Goldtium JM were non-wholly-owned subsidiaries of the Group.

Notes:

- The purchase transactions with JIPIE and JJJB were defined as "Ongoing Connected Transactions" in the circular to the shareholders of the Company dated 10 February 1998 ("Circular I") and were approved by the shareholders at the special general meeting of the Company held on 5 March 1998 ("SGM"). The Stock Exchange has granted waivers from strict compliance with the connected transaction requirements as set out in the Listing Rules.

Such Ongoing Connected Transactions have been reviewed by the Directors (including the independent non-executive Directors) and the independent non-executive Directors have confirmed that they consider that the above transactions were concluded:

- in the ordinary and usual course of business of the Group;
- on normal commercial terms or on terms no less favourable than terms available from independent third parties; and
- on a fair and reasonable basis so far as the shareholders of the Company are concerned.

The aggregate amount of such purchases by the Group amounted to less than 10% of the audited consolidated purchases of the Group for the year ended 31 July 2003 and did not exceed the cap of the waiver granted by the Stock Exchange on 25 February 1998.

- The rental expenses were related to the factory premises leased from JJJB for the period from 1 August 2002 up to 15 December 2002, which was the date before JJJB sold its interest of 15% in the issued share capital of Goldtium JM. The rental charges were made pursuant to the terms of the tenancy agreement dated 16 October 1998. The aggregate amount of the rental charges for the year ended 31 July 2003 did not exceed the cap of HK\$10,000,000 as stipulated in a waiver granted by the Stock Exchange on 5 November 1998.
- The sales and purchase transactions with Goldtium HK and Goldtium JM were defined as "Future Connected Transactions" in Circular I. The amount of sales of raw materials did not exceed 12% of the audited consolidated purchases of the Group for the year ended 31 July 2003, being the cap of waivers granted by the Stock Exchange on 25 February 1998. The purchase of finished goods, which was defined as "Goldtium HK Sales Transactions" in the circular to the shareholders of the Company dated 4 April 2003 ("Circular IV"), did not exceed HK\$130,000,000, being the cap of waiver granted by the Stock Exchange on 20 May 2003.

4. Pursuant to the leasing agreement dated 12 March 1998 between Goldtium HK and Goldtium JM, the latter paid a monthly equipment rental fee of HK\$1,100,000 to Goldtium HK with respect to the leasing of the alkaline manganese battery production line. The lease agreement expired on 31 March 2002.
5. The sales and purchase transactions with JIPIE were defined as "Jiangmen IE Transactions" in the circulars to the shareholders of the Company dated 25 June 1999 ("Circular II") and 5 March 2002 ("Circular III") respectively. The Stock Exchange has granted waivers from strict compliance with the connected transaction requirements as set out in the Listing Rules up to 31 July 2004.

No Jiangmen IE Transactions has been entered into during the year ended 31 July 2003.

In addition to the above transactions, the Group also granted loans to Goldtium HK and Goldtium JM and corporate guarantees to banks in favour of Goldtium HK and Goldtium JM, details of which are as follows:

	Notes	Group	
		2003 HK\$'000	2002 HK\$'000
Goldtium HK			
Loans and corporate guarantees	1	48,277	55,202
Shareholders' loans	2	6,919	6,919
Goldtium JM			
Loans	3	23,694	21,009
Shareholders' loans	4	41,858	42,402
Goldtium HK and Goldtium JM			
Loans	5	10,718	8,609

Notes:

- 1.* In 2001, a corporate guarantee of HK\$20,000,000 was given by the Company in respect of a loan granted from Bank of China (Hong Kong) Limited ("BOCHK") to Goldtium HK, such guarantee was duly approved by the shareholders previously. This corporate guarantee was subsequently terminated upon the full repayment of the loan to BOCHK in April 2002. Besides, a loan of approximately HK\$677,000 (2002: HK\$2,602,000) and corporate guarantees amounting to HK\$47,600,000 (2002: HK\$52,600,000) were granted by the Company in favour of Goldtium HK for the year ended 31 July 2003, these guarantees were for pool banking and other loan facilities extended partly to Goldtium HK and partly to other member(s) of the Group ("Pool Guarantees").

The amount of the loans and guarantees granted by the Group in favour of Goldtium HK mentioned above did not exceed the following waiver caps granted by the Stock Exchange on 27 May 2002 and 20 May 2003 respectively:

- (a) HK\$100,000,000, which includes the loans advanced to Goldtium HK by the Group (excluding the Goldtium Transactions) and the Pool Guarantees; and
 - (b) HK\$32,000,000, as defined as "Goldtium HK Financing Transactions" in Circular IV, which includes the loans advanced to Goldtium HK by the Group (excluding the Goldtium Transactions) and the guarantee provided by the Group for banking or other loan facilities available only to Goldtium HK (i.e. excluding the Pool Guarantees).
2. Pursuant to the shareholders' loan agreement dated 1 August 1998, Techway (China) Limited ("Techway"), a wholly-owned subsidiary of the Company, Mr Shi Zhaoping (who subsequently transferred all his shares to Mr He Qing in December 2002) and Mr Liu Dongyu ("PRC Individuals"), have committed to granting interest-free loans to Goldtium HK in proportion to their respective equity interests in that company for financing its operation. 70% of the shareholders' loans were granted by the Group and 15% of which were granted by each of the PRC Individuals.
 - 3.* The amount of loans and guarantees granted by the Group in favour of Goldtium JM in aggregate did not exceed the cap of HK\$57,410,783, being 15% of the unaudited consolidated net tangible assets of the Group as at 30 September 1997, as stipulated in the waiver granted by the Stock Exchange on 25 February 1998.
 4. Pursuant to the shareholders' loan agreement dated 17 September 1998, Techway, JJJB and JIPIE have committed to granting interest-free loans to Goldtium JM in proportion to their respective equity interests in that company for financing its operation. 70% of the shareholders' loans were granted by the Group and 15% of which were granted by each of JJJB and JIPIE. JJJB subsequently transferred all its equity interests in Goldtium JM as well as the shareholders' loan to Jiangmen Pioneer Import and Export Company Limited.

5. The loan transactions between Goldtium HK and Goldtium JM were defined as “Goldtium Transactions” in Circular II and Circular III mentioned above. This amount represented loans advanced from Goldtium HK to Goldtium JM. The total amount of the loans and advances in aggregate did not exceed the cap of HK\$30,000,000, being the waiver cap granted by the Stock Exchange on 27 May 2002.

* For the loans and guarantees granted by the Group in favour of Goldtium HK and Goldtium JM as stated in notes 1 and 3 above, the Group has obtained indemnities from the minority shareholders of Goldtium HK and Goldtium JM in favour of the Group in respect of their respective equity interests in the companies.

The Directors, including the independent non-executive Directors, have reviewed the above connected transactions and confirmed that these connected transactions, being conducted in the ordinary course of business and carried out under normal commercial terms or in accordance with the terms of the respective agreements governing the transactions, are considered to be fair and reasonable so far as the interests of the shareholders of the Company are concerned.

- II. On 20 December 2002, Real Million Investments Limited (“Real Million”), an indirect wholly-owned subsidiary of the Company, entered into two share purchase agreements to purchase (a) 191 ordinary shares of US\$1 each, representing 19.1% of the issued share capital of Alta Financial Holdings Limited (“Alta”); and (b) 1,910 ordinary shares of US\$1 each, representing 19.1% of the issued share capital of Zhongda Industrial Group Inc (“Zhongda”), at a total consideration of HK\$18,000,000, which would be satisfied by the issue and allotment by the Company of 180,000,000 consideration shares to the respective vendors, who are connected persons of the Company within the meaning of the Listing Rules. Real Million, on or prior to the completion of the aforesaid acquisition of shares of Alta and Zhongda (“Acquisition”), was holding 80.9% of the entire issued share capital of each of Alta and Zhongda. Upon completion of the Acquisition on 16 January 2003, both Alta and Zhongda became wholly-owned subsidiaries of Real Million. The Directors, including the independent non-executive Directors, considered that the terms of the share purchase agreements are fair and reasonable in so far as the Company and its shareholders are concerned, since the terms of the share purchase agreements were arrived at after arm’s length negotiation and on normal commercial terms.

EMPLOYEES AND REMUNERATION POLICY

As at 31 July 2003, the Group employed 276 full-time employees and out of which, 251 were in the PRC and 25 were in Hong Kong. Remuneration package is reviewed annually with reference to the market trend and prevailing legislation. Discretionary bonuses are granted to certain employees of the Group. In the PRC, the Group provides its employees with staff welfare in accordance with the prevailing labour law. Certain Directors and employees of the Group are entitled to medical insurance. Share options pursuant to the Company’s option scheme have been granted to certain employees of the Group during the year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 July 2003, the Group had cash and bank balances in the aggregate of approximately HK\$81,324,000. The liquidity position of the Group was as follows:

	31 July 2003	31 July 2002
Liquidity Ratio	7.70	3.76
Ratio of total liabilities to shareholders’ equity	0.07	0.16

During the year, the Group used approximately HK\$106,471,000 to acquire investments for long-term purposes. The Group also disposed of certain long-term investments and recorded a cash inflow of approximately HK\$3,021,000. The Group further utilised a net amount of approximately HK\$48,642,000 in short-term investments. The Group also made a loan of approximately HK\$16,094,000 to an independent third party.

During the financial year, the Group raised approximately HK\$40,663,000 upon the exercise of 380,000,000 and 20,790,000 option shares at the subscription prices of HK\$0.104 per share and HK\$0.055 per share respectively. Accordingly, the Group’s liquidity ratio as at 31 July 2003 is 7.70.

As at 31 July 2003, the Group had no outstanding bank borrowings after it disposed of its entire Battery Business. The Group, through one of its subsidiaries, engages in manufacture and trading of silicone rubber products and did not maintain any general banking facilities.

Given the existing cash and bank position, the Group will have adequate cash resources to meet its capital requirements and any commitments for future expansion and investment should the opportunities arise.

CAPITAL STRUCTURE

In January 2003, the Company issued and allotted 180,000,000 new shares of the Company at a par value of HK\$0.025 each for the acquisition of the remaining 19.1% of the issued share capital in each of the two subsidiaries namely, Alta and Zhongda, pursuant to the respective share purchase agreements dated 20 December 2002.

400,790,000 new shares of the Company at a par value of HK\$0.025 each were issued upon exercise of 380,000,000 and 20,790,000 option shares at the subscription prices of HK\$0.104 per share and HK\$0.055 per share respectively, resulting in raising approximately HK\$40,663,000.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year, none of the executive Directors are interested in any business apart from the Company's business, which competes or is likely to compete, either directly or indirectly, with the Company's business.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 36 to the financial statements.

CODE OF BEST PRACTICE

The Directors are not aware of any information that would reasonably indicate that the Company is not, or was not, in compliance with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules, for any part of the accounting year covered by this report.

In accordance with the Code of Best Practice, the Board of Directors established an audit committee in 1998. The audit committee, consisting of the two independent non-executive Directors of the Company, reviews and supervises the Group's financial reporting and internal control systems.

AUDITORS

Messrs Ernst & Young retired and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Wong King Shiu, Daniel
Chairman

Hong Kong, 24 November 2003