

# Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2002.

## **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 16 to the financial statements.

## **RESULTS AND DIVIDENDS**

The Group's profit for the year ended 31 December 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 19 to 76.

The directors do not recommend the payment of any dividends in respect of the year.

## **FIVE YEAR FINANCIAL SUMMARY**

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 77. 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 Company and the Group during the year are set out in note 13 to the financial statements.

## **SHARE CAPITAL AND SHARE OPTIONS**

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 29 and 30 to the financial statements.

## **RESERVES**

Details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements and in the consolidated statement of changes in equity, respectively.

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## **DISTRIBUTABLE RESERVES**

At 31 December 2002, the Company had no reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance.

## **MAJOR CUSTOMERS AND SUPPLIERS**

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the Group's total sales for the year, and purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

## **DIRECTORS**

The directors of the Company during the year and up to the date of this report were:

### **Executive directors:**

Mr. Xiong Da Xin

Mr. Bai Jin Rong *(resigned on 31 December 2002)*

Mr. Ng Kong Fat, Brian

Dr. Mao Xiang Dong, Peter

Mr. E Meng

### **Independent non-executive directors:**

Mr. Wu Shi Xiong *(resigned on 4 February 2002)*

Mr. Cao Guixing

Mr. Feng Ching Yeng, Frank

In accordance with the Company's articles of association, Mr. E Meng, will retire and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

## **DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES**

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 7 to 9 of the annual report.

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## **DIRECTORS' SERVICE CONTRACTS**

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## **DIRECTORS' INTERESTS IN CONTRACTS**

Save as disclosed in note 36 to the financial statements, no director had a material interest in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries, holding companies and fellow subsidiaries was a party during the year.

## **DIRECTORS' INTERESTS IN SHARES**

At 31 December 2002, the interests of the directors in the share capital of the Company's subsidiaries, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

- (a) Sunbird Holdings Limited ("Sunbird") beneficially owns 2,400 ordinary shares of HK\$1 each in the share capital of H.K. Forewell Investments Limited, representing 24% of its issued share capital;
- (b) Sunbird beneficially owns 2,400 ordinary shares of HK\$1 each in the share capital of Hong Kong Fortune International Limited, representing 24% of its issued share capital; and
- (c) Sunbird beneficially owns 6,000 ordinary shares of S\$1 each in the share capital of Ah Yat Abalone Forum Restaurant Holdings Pte Ltd, representing 24% of its issued share capital.

Mr. Ng Kong Fat, Brian, a director of the Company, has beneficial equity interests in Sunbird.

In addition to the above, a director has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

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## **DIRECTORS' INTERESTS IN SHARES** *(continued)*

The interests of the directors in the share options of the Company are separately disclosed in note 30 to the financial statements.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Apart from as disclosed under the heading "Share option scheme" below and in the share option scheme disclosures in note 30 to the financial statements, 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 director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its subsidiaries, holding companies and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## **SHARE OPTION SCHEME**

Due to the adoption during the year of Statement of Standard Accounting Practice No. 34 "Employee benefits", most of the detailed disclosures relating to the Company's share option scheme have been moved to note 30 to the financial statements. Concerning the share options granted during the year to the directors and employees as detailed in note 30, the directors do not consider it appropriate to disclose a theoretical value of the share options granted because a number of factors crucial for the valuation are subjective and uncertain. Accordingly, any valuation of the options based on various speculative assumptions might not be meaningful.

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## SHARE OPTION SCHEME (continued)

In addition, at 31 December 2002, the interests of a director of the Company in options to subscribe for shares of Beijing Enterprises Holdings Limited ("BEHL"), the Company's holding company, under the share option scheme of BEHL were as follows:

Name of director	Number of options held	
	Note (a)	Note (b)
Mr. E Meng	50,000	450,000

Notes:

- (a) These options were granted on 3 March 1998 at an exercise price per share of HK\$17.03. The options can be exercised at any time in the next ten years commencing on 1 September 1998. No such options were exercised during the year.
- (b) These options were granted on 23 June 1998 at an exercise price per share of HK\$17.03. The options can be exercised in nine equal portions. The first portion is exercisable at any time commencing on 1 January 1999 and one additional portion becomes exercisable on 1 January in each of the following years. All of the options (to the extent not exercised) will become exercisable on 1 January 2007 and, if not otherwise exercised, will lapse on 1 January 2009. No such options were exercised during the year.

## SUBSTANTIAL SHAREHOLDERS

At 31 December 2002, the following interests of 10% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	Percentage of the Company's issued capital
Idata Finance Trading Limited ("IFTL")	240,675,000	53.93
BEHL	240,675,000	53.93
Beijing Holdings Limited ("BHL")	240,675,000	53.93
Illumination Holdings Limited	58,618,368	13.14

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## **SUBSTANTIAL SHAREHOLDERS** *(continued)*

IFTL is a direct wholly-owned subsidiary of BEHL. BEHL is held indirectly as to 62.9% by BHL. Accordingly, BEHL and BHL are deemed to be interested in the shares owned by IFTL.

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

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

## **CONNECTED TRANSACTIONS**

During the year, the Group recorded service fee income of HK\$10,188,000, HK\$9,057,000 and HK\$9,057,000 from Beijing Teletron Telecom Engineering Co. Ltd., a subsidiary of BEHL, in respect of technical support, management consultation and market development consultation services provided, respectively.

The independent non-executive directors of the Company have reviewed and confirmed that such transactions have been entered into: (i) in the ordinary and usual course of business of the Group; (ii) on terms no less favourable to the Group than terms available from independent third parties; (iii) in accordance with the relevant agreements governing the transactions; and (iv) on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

Further details of the transactions are included in note 36 to the financial statements.

## **POST BALANCE SHEET EVENT**

Details of the post balance sheet event of the Group are set out in note 37 to the financial statements.

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## **CODE OF BEST PRACTICE**

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the annual report, except that the non-executive directors of the Company are not appointed for specific terms as required by Paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's articles of association, and the Company has not established an audit committee.

## **AUDITORS**

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**XIONG DA XIN**

*Chairman*

Hong Kong

14 April 2003