

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 2003.

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. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 17 to 73.

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, liabilities and minority interests 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 74. 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 30 and 31 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 32 to the financial statements and in the consolidated statement of changes in equity, respectively.

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DISTRIBUTABLE RESERVES

At 31 December 2003, 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. Purchases from the Group's five largest suppliers accounted for 31% of the total purchases for the year and purchases from the largest supplier therein amounted to 18%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

DIRECTORS

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

Executive directors:

Mr. Zhang Honghai	<i>(appointed on 31 March 2004)</i>
Mr. Xiong Da Xin	<i>(resigned on 15 October 2003)</i>
Mr. Ng Kong Fat, Brian	
Mr. E Meng	
Mr. Zhao Jifeng	<i>(appointed on 22 October 2003)</i>
Dr. Mao Xiang Dong, Peter	<i>(resigned on 8 February 2004)</i>

Independent non-executive directors:

Mr. Cao Guixing
Mr. Feng Ching Yeng, Frank

In accordance with the Company's articles of association, Mr. Zhang Honghai, Mr. Zhao Jifeng and Mr. Cao Guixing will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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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 6 to 8 of the annual report.

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 38 to the financial statements, no director had a material interest, either directly or indirectly, 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' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2003, the interests of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in ordinary shares of associated corporation of the Company:

Name of director	Name of associated corporation	Relationship with the Company	Numbers of shares held	Capacity and nature of interest	Percentage of the associated corporation's issued share capital
Mr. Ng Kong Fat, Brian	BD Ah Yat Abalone Group Limited	Company's subsidiary	1,462,000	Directly beneficially owned	21.5

The interests of the directors in the share options of the Company and its associated corporation are separately disclosed in note 31 to the financial statements and under the heading "Share option scheme" below, respectively.

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DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

In addition to the above, Mr. Ng Kong Fat, Brian 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.

Save as disclosed above, as at 31 December 2003, none of the directors and chief executive and their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Share option scheme" below and in the share option scheme disclosures in note 31 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 minor children, 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

Concerning the share options granted during the year to the directors and employees as detailed in note 31 to the financial statements, the directors do not consider it appropriate to disclose a theoretical value of the 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.

In addition, at 31 December 2003, 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 10 years commencing on 1 September 1998. No such options were exercised during the year.

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SHARE OPTION SCHEME *(continued)*

- (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' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2003, the following interests and short positions of 5% 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 336 of the SFO:

Long positions in ordinary shares of the Company:

Name	Note	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
Idata Finance Trading Limited ("IFTL")	(a)	Directly beneficially owned	275,675,000	55.81
BEHL	(a)	Through a controlled corporation	275,675,000	55.81
Beijing Holdings Limited ("BHL")	(a)	Through a controlled corporation	275,675,000	55.81
Illumination Holdings Limited		Directly beneficially owned	58,618,368	11.87

Note:

- (a) IFTL is a direct wholly-owned subsidiary of BEHL. BEHL is held indirectly as to 62.8% by BHL. Accordingly, the shares in which IFTL is shown to be interested are also the shares in which BEHL and BHL are interested.

Save as disclosed above, as at 31 December 2003, no person, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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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\$12,684,000, HK\$11,274,000 and HK\$11,274,000 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 38 to the financial statements.

On 30 May 2003, the Company acquired from BEHL the entire issued share capital of Business Net Limited together with all the benefits and interest of and in the shareholder's loan amounting to RMB19 million (approximately HK\$17.92 million) owing by Business Net Limited to BEHL at an aggregate consideration of HK\$40 million, satisfied as to HK\$5 million in cash and HK\$35 million by way of the issue of 35 million shares of the Company at an issue price of HK\$1 per share. The sole asset of Business Net Limited is a 38% interest in Beijing Municipal Administration & Communications Card Co., Ltd. ("BMAC") and the consideration of the transaction was determined with reference to the business valuation of BMAC.

On 31 December 2003, B E Information Technology Group Limited (formerly named Cyber Vantage Group Limited) ("BEITG"), a wholly-owned subsidiary of the Company, acquired 49% of the issued share capital of Beijing Enterprises Jetrich Holdings Limited ("Beijing Jetrich"), a 51% owned subsidiary of the Company, from Cosmos Vantage Limited ("Cosmos Vantage") and 200 new shares of BEITG were issued as consideration for the acquisition. In addition, BEITG acquired in aggregate 40% of the issued share capital of Wisdom Elite Holdings Limited ("Wisdom Elite"), a 60% owned subsidiary of the Company, of which 20% was acquired from Mr. He Yingkai ("Mr. He") and 20% from Mr. Li Jicheng ("Mr. Li"). BEITG issued 40 new shares to Mr. He and 40 new shares to Mr. Li as consideration for the acquisition. No monetary value is assigned as the consideration for the transactions and the terms were determined with reference to the business valuations. Upon completion of the transactions, Beijing Jetrich and Wisdom Elite became wholly-owned subsidiaries of BEITG and BEITG was owned as to 72% by the Company, 20% by Cosmos Vantage, 4% by Mr. He and 4% by Mr. Li.

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POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 39 to the financial statements.

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 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

ZHANG HONGHAI

Chairman

Hong Kong
15 April 2004