

GENERAL INFORMATION

DIRECTORS' SERVICE CONTRACTS

At 30 June 2004, none of the directors had any existing or proposed 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 14 to the condensed consolidated interim financial statements, none of the directors had any direct or indirect material interest in any contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries and fellow subsidiaries was a party during the six months ended 30 June 2004.

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

At 30 June 2004, the interests and short positions of the directors and chief executive 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 underlying shares of the Company and its associated corporation:

The interests of the directors in the share options of the Company and its associated corporation are separately disclosed under the heading "Share option scheme" below.

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

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

Name of director	Name of associated corporation	Relationship with the Company	Number of ordinary 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

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 30 June 2004, none of the directors and chief executive had registered an interest or short position in the shares or underlying shares 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, at no time during the six months ended 30 June 2004 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 holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") to give executives and key employees of the Group an interest in preserving and maximising shareholder value in the longer term, to enable the Company and the relevant subsidiaries to attract and retain individuals with experience and ability and to reward individuals for future performance. Eligible participants of the Scheme include the executive directors and employees of the Company or any of its subsidiaries. The Scheme became effective on 18 June 2001 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

SHARE OPTION SCHEME (continued)

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the ordinary shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme is limited to 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date on which the offer of the share options is accepted or on the expiry date of the Scheme, whichever is earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the closing price of the Company's shares on the Stock Exchange on the date of the offer of the share options; (ii) the average of the closing prices of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholder meetings.

SHARE OPTION SCHEME (continued)

The following share options were outstanding under the Scheme during the six months ended 30 June 2004:

Name or category of participant	Notes	Number of share options			At 30 June 2004
		At 1 January 2004	Granted during the period	Lapsed during the period	
Directors					
Mr. Ng Kong Fat, Brian	(a)	2,300,000	–	–	2,300,000
	(b)	1,200,000	–	–	1,200,000
		3,500,000	–	–	3,500,000
Mr. E Meng	(a)	1,600,000	–	–	1,600,000
	(b)	1,200,000	–	–	1,200,000
		2,800,000	–	–	2,800,000
Mr. Zhao Jifeng	(c)	2,800,000	–	–	2,800,000
Dr. Mao Xiang Dong, Peter *	(a)	1,600,000	–	(1,600,000)	–
	(b)	1,200,000	–	(1,200,000)	–
		2,800,000	–	(2,800,000)	–
Other employees					
In aggregate	(a)	4,300,000	–	–	4,300,000
	(b)	17,700,000	–	–	17,700,000
		22,000,000	–	–	22,000,000
		33,900,000	–	(2,800,000)	31,100,000

* Dr. Mao Xiang Dong, Peter resigned as a director on 8 February 2004.

Notes:

- (a) These options were granted on 19 June 2001 at an exercise price of HK\$1.13 per share. The options can be exercised in two or three equal portions. The first portion is exercisable at any time commencing on 1 January 2002, and each further portion becomes exercisable on 1 January in each of the following years. All of the options, if not otherwise exercised, will lapse on 26 June 2006.
- (b) These options were granted on 18 January 2002 at an exercise price of HK\$1.00 per share. The options can be exercised in three equal portions. The first portion is exercisable at any time commencing on 18 January 2002, and each further portion becomes exercisable on 1 January in each of the following years. All of the options, if not otherwise exercised, will lapse on 17 January 2007.

SHARE OPTION SCHEME (continued)

- (c) These options were granted on 2 October 2003 at an exercise price of HK\$1.05 per share. The options can be exercised in three equal portions. The first portion is exercisable at any time commencing on 2 October 2003, and each further portion becomes exercisable on 1 January in each of the following years. All of the options, if not otherwise exercised, will lapse on 1 October 2008.

No share options were exercised during the six months ended 30 June 2004. At 30 June 2004, the Company had 31,100,000 share options outstanding under the Scheme, which represented approximately 6.3% of the ordinary shares of the Company in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 31,100,000 additional ordinary shares of the Company and additional share capital of HK\$31,100,000 and share premium of HK\$1,206,000 (before issue expenses).

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 would not be meaningful.

In addition, at 30 June 2004, the interests of a director of the Company in options to subscribe for shares of Beijing Enterprises Holdings Limited, the Company's holding company, under the share option scheme of Beijing Enterprises Holdings Limited were as follows:

Name of director	Number of share options	
	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 of HK\$17.03 per share. 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 six months ended 30 June 2004.
- (b) These options were granted on 23 June 1998 at an exercise price of HK\$17.03 per share. 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 six months ended 30 June 2004.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2004, 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 shares of the Company:

Name	Number of ordinary shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporations	Total	
Idata Finance Trading Limited	275,675,000	–	275,675,000	55.81
Beijing Enterprises Holdings Limited (Note)	–	275,675,000	275,675,000	55.81
Beijing Enterprises Investments Limited (Note)	–	275,675,000	275,675,000	55.81
Beijing Holdings Limited (Note)	–	275,675,000	275,675,000	55.81
Illumination Holdings Limited	58,618,368	–	58,618,368	11.87

Note: Idata Finance Trading Limited is a direct wholly-owned subsidiary of Beijing Enterprises Holdings Limited. Beijing Enterprises Holdings Limited is held indirectly as to 62.79% by Beijing Enterprises Investments Limited. Beijing Enterprises Investments Limited is held indirectly as to 50.37% by Beijing Holdings Limited. Accordingly, Beijing Enterprises Holdings Limited, Beijing Enterprises Investments Limited and Beijing Holdings Limited are deemed to be interested in the shares owned by Idata Finance Trading Limited.

Save as disclosed above, as at 30 June 2004, 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.

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 six months ended 30 June 2004.

CORPORATE GOVERNANCE

Code of Best Practice

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except that the non-executive directors of the Company are not appointed for specific terms, 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.

Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code")

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2004.

Independent Non-Executive Directors

The Company has only two independent non-executive directors. Pursuant to rules 3.10(1) and 3.10(2) of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors, and at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. As a matter of urgency, the Company shall appoint a sufficient number of independent non-executive directors with appropriate professional qualifications or accounting or related financial management expertise shortly.

Audit Committee

The Company has not established an audit committee as required by rule 3.21 of the Listing Rules. An audit committee comprising a minimum of three non-executive directors shall be established by the Company immediately following the appointment of an additional independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as mentioned above.