

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 2000.

GROUP REORGANISATION

The Company was incorporated as an exempted company with limited liability in Bermuda under the Companies Act 1981 of Bermuda (as amended) on 24 September 1999. Pursuant to a scheme of arrangement sanctioned by the High Court of Hong Kong which became effective on 31 March 2000, Founder (Hong Kong) Limited became a wholly owned subsidiary of the Company and its listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") was withdrawn, the shares of the Company were listed on the Stock Exchange, in lieu thereof, on the same day. Further details in respect of the scheme are set out in note 2 to the financial statements.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 14 to the financial statements. There were no changes in the nature of the Group's principal activities during the year.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to profit/(loss) from operating activities by principal activity and geographical area of operations for the year ended 31 December 2000 is as follows:

	2000	1999
	HK\$'000	HK\$'000
By activity:		
Software development and systems integration	1,492,128	948,760
Sales of information products	595,725	634,313
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Total turnover	2,087,853	1,583,073
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Software development and systems integration	206,983	(99,209)
Sales of information products	(13,244)	(119,292)
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Total profit/(loss) from operating activities	193,739	(218,501)
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SEGMENTAL INFORMATION *(Continued)*

	2000	1999
	HK\$'000	HK\$'000
By geographical area:		
The People's Republic of China (the "PRC"):		
Hong Kong	194,629	248,079
Elsewhere	1,829,998	1,289,976
Other countries	63,226	45,018
Total turnover	2,087,853	1,583,073
The PRC:		
Hong Kong	(34,944)	(44,954)
Elsewhere	187,258	(172,057)
Other countries	41,425	(1,490)
Total profit/(loss) from operating activities	193,739	(218,501)

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2000 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 32 to 72.

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

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the 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 74. This summary is not part of the audited financial statements.

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FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group are set out in note 12 to the financial statements. Particulars of the investment properties of the Group are set out on page 73 of the annual report.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 14 to the financial statements.

JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES

Particulars of the Company's and the Group's interests in its jointly-controlled entities and associates are set out in notes 15 and 16 to the financial statements, respectively.

BANK LOANS AND OVERDRAFTS

Details of the bank loans and overdrafts of the Group are set out in note 25 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 reasons therefor, are set out in note 27 to the financial statements.

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, redeemed or sold any of the Company's listed securities during the year.

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RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 28 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2000, the Company's reserves available for distribution amounted to HK\$446,083,000. In addition, the Company's share premium account, in the total amount of approximately HK\$27,660,000 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of total sales for the year. Purchases from the Group's five largest suppliers accounted for 31% (1999: 38%) of the total purchases for the year and purchase from the largest supplier included therein amounted to 13% (1999: 24%).

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 customers or five largest suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Wang Xuan

Cheung Shuen Lung

Zhang Zhao Dong

Wei Xin

Lei Hon Sang

(appointed on 1 September 2000)

Lo Siu Yu

(appointed on 1 September 2000)

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DIRECTORS *(Continued)*

Independent non-executive directors:

Hu Hung Lick, Henry
Li Fat Chung

In accordance with the bye-laws of the Company, Cheung Shuen Lung, Zhang Zhao Dong, Lei Hon Sang and Lo Siu Yu will retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 16 to 18 of the annual report.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the directors' emoluments and those of the five highest paid individuals in the Group are set out in notes 7 and 8 to the financial statements, respectively.

DIRECTORS' SERVICE CONTRACTS

Wang Xuan, Cheung Shuen Lung, Zhang Zhao Dong and Wei Xin have entered into service contracts with the Company for a term of five years commencing on 31 March 2000. Lei Hon Sang and Lo Siu Yu have entered into service contracts with the Company for a term of two years commencing on 1 September 2000. The service contracts are subject to termination by either the director concerned, or the Company giving to the other not less than one year's notice.

Apart from the foregoing, 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 other than statutory compensation.

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DIRECTORS' INTERESTS IN CONTRACTS

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 was a party during the year.

DIRECTORS' INTERESTS IN SHARES

At 31 December 2000, the interests of the directors in the share capital of EC-Founder (Holdings) Company Limited, the Company's associated corporation, 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:

Name of director	Number of ordinary shares held and nature of interest
	Personal
Cheung Shuen Lung	36,890,100
Wei Xin	3,956,000
Zhang Zhao Dong	3,956,000
Lei Hon Sang	<u>21,890,100</u>
	<u><u>66,692,200</u></u>

In addition to the above, Cheung Shuen Lung 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 and as disclosed below under the heading "Directors' rights to acquire shares", none of the directors or their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

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DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to the Company's share option scheme, the Company has granted options on the Company's ordinary shares in favour of certain directors, the details of which are as follows:

Name of director	Number of share options at 31 December 1999 and outstanding at end of year	Exercise period of share options	Exercise price of share options <i>HK\$</i>
Wang Xuan	10,800,000	21.12.1998 to 6.12.2005	1.397
Cheung Shuen Lung	9,360,000	21.12.1998 to 6.12.2005	1.397
	<u>20,160,000</u>		

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 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 a party to any arrangements to enable the directors to acquire such rights in any other body corporate.

Further details of the Company's share option scheme are set out in note 27 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2000, the following interests of 10% or more of the 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 of shareholder	Number of shares held	%
Peking University	393,402,210	35.01
Peking University Founder Group Corporation ("Peking Founder")	393,402,210	35.01

Note: Peking Founder is wholly owned by Peking University. The interests disclosed under Peking University represent its deemed interests in the shares of the Company by virtue of its interest in Peking Founder.

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SUBSTANTIAL SHAREHOLDERS *(Continued)*

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.

CONNECTED TRANSACTIONS

During the year, the Group paid rental expenses of approximately HK\$14,142,000 to Peking Founder.

The independent non-executive directors of the Company have reviewed the above connected transaction and have confirmed to the board of directors their opinion that such transaction was (i) conducted in the ordinary course of the Group's business; (ii) paid in accordance with the terms of the agreement governing the transaction; and (iii) fair and reasonable so far as the shareholders of the Company are concerned.

RETIREMENT BENEFITS SCHEME

The Group's employees in Hong Kong have joined either the Mandatory Provident Fund Exempted ORSO retirement benefits scheme or the Mandatory Provident Fund retirement benefits scheme. Employees in the PRC are enrolled in the mandatory central pension scheme operated by the PRC government. Details of the employer's pension costs charged to the profit and loss account for the year are set out in note 5 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the accounting year covered by the annual report except that the independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

The Company has established an audit committee in accordance with paragraph 14 of the Code of Best Practice throughout the accounting year covered by the annual report. The audit committee comprises two independent non-executive directors.

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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

Wang Xuan

Chairman

24 April 2001