

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. Other than the disposal and discontinuance of the Group's electronic products business and the acquisition of distribution of information products business, further details of which are included in notes 6, 33(b) and 33(c) 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 loss 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 23 to 75.

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

SUMMARY FINANCIAL INFORMATION

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 76. This summary does not form part of the audited financial statements.

FIXED ASSETS

Details of movements in the fixed assets of the Company and the Group during the year are set out in note 14 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.

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, 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.

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.

DISTRIBUTABLE RESERVES

As at 31 December 2003, the Company had no reserves available for distribution. However, the Company's share premium account, in the amount of approximately HK\$154,699,000, 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 the total sales for the year. Purchases from the Group's five largest suppliers accounted for approximately 63% (2002: 23%) of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 44% (2002: 7%).

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 were:

Executive directors:

Mr Zhang Zhao Dong
Mr Cheung Shuen Lung
Professor Wei Xin
Professor Zou Wei
Mr Yung Richard, Jr.

Non-executive directors:

Mr Yung Chih Shin, Richard
Mr Yang Lin, Richard*
Mr Lee Ying Bui, Andrew*

* *Independent non-executive directors*

In accordance with the Company's bye-laws, Professor Wei Xin and Professor Zou Wei will retire and, being eligible, offer themselves 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 10 to 11 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.

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DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 36 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, its holding company, any of its subsidiaries or fellow subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

Save as disclosed in note 36 to the financial statements, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2003, the interests and short positions of the directors in the share capital 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 (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

Name of director	Number of ordinary shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	As trustee (Note 1)		
Mr Yung Chih Shin, Richard (Note 2)	–	87,680,000	–	87,680,000	7.97%
Mr Cheung Shuen Lung	36,890,100	–	63,459,100	100,349,200	9.12%
Mr Zhang Zhao Dong	3,956,000	–	63,459,100	67,415,100	6.13%
Professor Wei Xin	3,956,000	–	63,459,100	67,415,100	6.13%
Professor Zou Wei	–	–	63,459,100	63,459,100	5.77%

Notes:

- These shares were held by F2 Consultant Limited as nominee on behalf of these directors who are acting in their capacity as the trustees of a discretionary trust for the employees of Founder Data Corporation International Limited ("FDC") and its subsidiaries. FDC is incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company.
- Mr Yung Chih Shin, Richard is interested in these shares through Ricwinco Investment Limited ("Ricwinco"), a company which is beneficially owned by Mr Yung Chih Shin, Richard.

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DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

The interests of the directors in the share options of the Company are separately disclosed in note 31 to the financial statements.

In addition to the above, Mr Cheung Shuen Lung had 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, none of the directors had registered an interest or short position in the shares and 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the heading "Directors' interests and short positions in shares and underlying shares" above 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 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, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2003, the following interests 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:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Peking University Founder Group Corporation ("Peking Founder")	1	Through a controlled corporation	627,305,560	57.00%
Founder Holdings Limited ("FHL")	2	Directly beneficially owned	627,305,560	57.00%
Yahoo! Inc.		Directly beneficially owned	93,240,000	8.47%
Ricwinco	3	Directly beneficially owned	87,680,000	7.97%
F2 Consultant Limited	4	Owned as Nominee	63,459,100	5.77%
HSBC International Trustee Limited	5	Through a controlled corporation	60,500,000	5.50%
Sun Hung Kai Properties Limited	5	Through a controlled corporation	60,500,000	5.50%
Sunco Resources Limited	5	Through a controlled corporation	60,500,000	5.50%
SUNeVision Holdings Ltd.	5	Through a controlled corporation	60,500,000	5.50%
Hugh Profit Investments Ltd.	5	Through a controlled corporation	60,500,000	5.50%
Well Drive Holdings Limited		Directly beneficially owned	60,500,000	5.50%

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SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES *(Continued)*

Notes:

1. Peking Founder is deemed to be interested in the 627,305,560 shares of the Company under the SFO by virtue of its interest in FHL.
2. FHL's interests in the 627,305,560 shares of the Company comprise (i) 603,690,000 shares held by FHL as beneficial owner of such shares; and (ii) 23,615,560 shares being new shares which will be issued to Founder (Hong Kong) Limited ("FHK"), a wholly-owned subsidiary of FHL, or as it may direct at the option of FHK, as the final consideration ("Final Consideration") pursuant to a conditional sale and purchase agreement entered into between FHK and the Company. FHL is deemed to be interested in the interests of FHK in those shares under the SFO. Subsequent to the balance sheet date, on 2 January 2004, FHK selected to receive the Final Consideration in cash, but not the 23,615,560 shares of the Company.
3. Mr Yung Chih Shin, Richard is interested in these shares through Ricwinco.
4. F2 Consultant Limited holds the shares of the Company as nominee on behalf of the directors of FDC who are acting in their capacity as the trustees of a discretionary trust for the employees of FDC and its subsidiaries.
5. Each of HSBC International Trustee Limited, Sun Hung Kai Properties Limited, Sunco Resources Limited, SUNeVision Holdings Ltd. and Hugh Profit Investments Ltd. is deemed to be interested in 60,500,000 shares of the Company under the SFO by virtue of its, direct or indirect, interests in Well Drive Holdings Limited.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' 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.

CONNECTED TRANSACTIONS

Details of the connected transactions are set out in notes 36(a) to 36(f) to the financial statements.

The independent non-executive directors of the Company have reviewed the connected transactions as set out in notes 36(d) to 36(f) to the financial statements, and have confirmed to the board of directors that, in their opinion, such transactions were (i) conducted in the ordinary and usual course of the Group's business; (ii) fair and reasonable so far as the interests of the shareholders of the Company as a whole are concerned; (iii) conducted in accordance with the terms of the agreements governing the transactions; and (iv) within the prescribed limits as set out in the waiver letters in respect of connected transactions granted by the Stock Exchange.

POST BALANCE SHEET EVENT

Details of the significant 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 year covered by the annual report, except that the independent 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 and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's bye-laws.

AUDIT COMMITTEE

The Company has established an audit committee in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises two independent non-executive directors of the Company.

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 Zhao Dong
Chairman

Hong Kong, 2 April 2004