

## 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 2004.

### 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 provision of software solutions and services business, further details of which are included in notes 6 and 28(b) 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 2004 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 65.

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 66 of the Annual Report. 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

There were no movements in either the Company's authorised or issued share capital during the year. Details of movements in the Company's share options during the year are set out in note 26(a) 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 27 to the financial statements.

## DISTRIBUTABLE RESERVES

At 31 December 2004, 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 92% (2003: 63%) of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 50% (2003: 44%).

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

Mr Xia Yang Jun (appointed on 1 November 2004)

Mr Xie Ke Hai (appointed on 1 November 2004)

Professor Zou Wei (resigned on 1 November 2004)

Mr Yung Richard, Jr. (resigned on 1 November 2004)

### Non-executive directors:

Mr Yung Chih Shin, Richard

Mr Yang Lin, Richard\*

Mr Li Fat Chung\* (appointed on 30 September 2004)

Ms Wong Lam Kit Yee\* (appointed on 30 September 2004)

Mr Lee Ying Biu, Andrew\* (resigned on 30 September 2004)

\* *Independent non-executive directors*

Subsequent to the balance sheet date, on 31 March 2005, Mr Yang Lin, Richard resigned as an independent non-executive director of the Company and Ms Cao Qian was appointed as an independent non-executive director of the Company.

In accordance with the Company's bye-laws, Mr Xia Yang Jun, Mr Xie Ke Hai, Mr Yung Chih Shin, Richard, Mr Li Fat Chung, Ms Wong Lam Kit Yee and Ms Cao Qian 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 8 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

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, or any of its subsidiaries or fellow subsidiaries was a party during the year.

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2004, the interests and short positions 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 Issuers (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 Cheung Shuen Lung	36,890,100	–	60,671,600	97,561,700	8.86
Mr Zhang Zhao Dong	3,956,000	–	60,671,600	64,627,600	5.87
Professor Wei Xin	3,956,000	–	60,671,600	64,627,600	5.87
Mr Yung Chih Shin, Richard (Note 2)	–	87,680,000	–	87,680,000	7.97

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 is 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.

The interests of the directors in the share options of the Company are separately disclosed in note 26(a) to the financial statements.

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

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, as at 31 December 2004, none of the directors 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.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the section "Directors' interests and short positions in shares and underlying shares" above and in the share option schemes disclosures in note 26(a) 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

At 31 December 2004, 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	603,609,000	54.85
Founder Holdings Limited ("FHL")		Directly beneficially owned	603,609,000	54.85
Peking University Education Foundation		Directly beneficially owned	95,570,000	8.68
Ricwinco	2	Directly beneficially owned	87,680,000	7.97
F2 Consultant Limited	3	Owned as nominee	60,671,600	5.51
HSBC International Trustee Limited	4	Through a controlled corporation	60,500,000	5.50
Sun Hung Kai Properties Limited	4	Through a controlled corporation	60,500,000	5.50
Sunco Resources Limited	4	Through a controlled corporation	60,500,000	5.50
SUNeVision Holdings Ltd.	4	Through a controlled corporation	60,500,000	5.50
Hugh Profit Investments Ltd.	4	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 *(Continued)*

Notes:

1. Peking Founder is deemed to be interested in the 603,609,000 shares of the Company under the SFO by virtue of its interest in FHL.
2. Mr Yung Chih Shin, Richard is interested in these shares through Ricwinco.
3. 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.
4. 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, as at 31 December 2004, 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 during the year are set out in notes 31(a) to 31(c) to the financial statements.

The independent non-executive directors of the Company have reviewed the connected transactions as set out in notes 31(b) and 31(c) 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 the connected transactions granted by the Stock Exchange.

### 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 (the "Listing Rules"), 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 an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company.

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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

**Zhang Zhao Dong**

*Chairman*

Hong Kong, 22 April 2005