

Contents

	<i>Pages</i>
Corporate Information	2
Financial Highlights	3 - 4
Office Locations of the Group	5
Events of the Year	6 - 7
Chairman's Statement	8 - 15
Biographical Details of Directors and Senior Management	16 - 18
Notice of Annual General Meeting	19 - 21
Report of the Directors	22 - 30
Report of the Auditors	31
Consolidated Profit and Loss Account	32
Consolidated Statement of Recognised Gains and Losses	33
Consolidated Balance Sheet	34
Consolidated Cash Flow Statement	35 - 36
Balance Sheet	37
Notes to Financial Statements	38 - 72
Particulars of Investment Properties	73
Five Year Financial Summary	74

Corporate Information

BOARD OF DIRECTORS

Executive directors

Professor Wang Xuan (*Chairman*)

Mr Cheung Shuen Lung (*President*)

Mr Zhang Zhao Dong

Professor Wei Xin

Mr Lei Hon Sang

Mr Lo Siu Yu

Independent non-executive directors

Dr Hu Hung Lick, Henry

Mr Li Fat Chung

COMPANY SECRETARY

Ms Tang Yuk Bo, Yvonne

REGISTERED OFFICE

Cedar House

41 Cedar Avenue

Hamilton HM12

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1408, 14th Floor

Cable TV Tower

9 Hoi Shing Road

Tsuen Wan

New Territories

Hong Kong

PRINCIPAL BANKERS

The China & South Sea Bank, Ltd.

Fortis Bank

LEGAL ADVISER

Koo and Partners

AUDITORS

Ernst & Young

Certified Public Accountants

15th Floor, Hutchison House

10 Harcourt Road

Central, Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

Principal registrars:

Butterfield Corporate Services Limited

Rosebank Centre

14 Bermudiana Road

Hamilton

Bermuda

Hong Kong branch share registrars and transfer office:

Central Registration Hong Kong Limited

Suite 1712-1716

17th Floor

Hopewell Centre

183 Queen's Road East

Hong Kong

WEBSITE ADDRESS

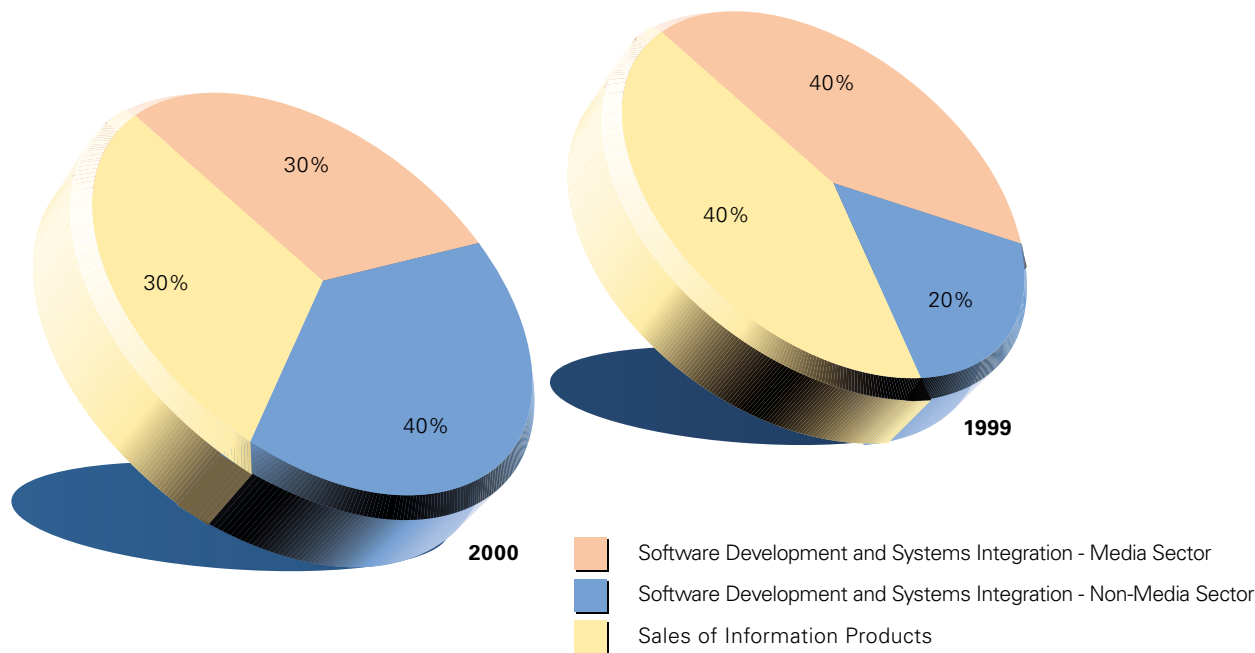
<http://www.founder.com.hk>

Financial Highlights

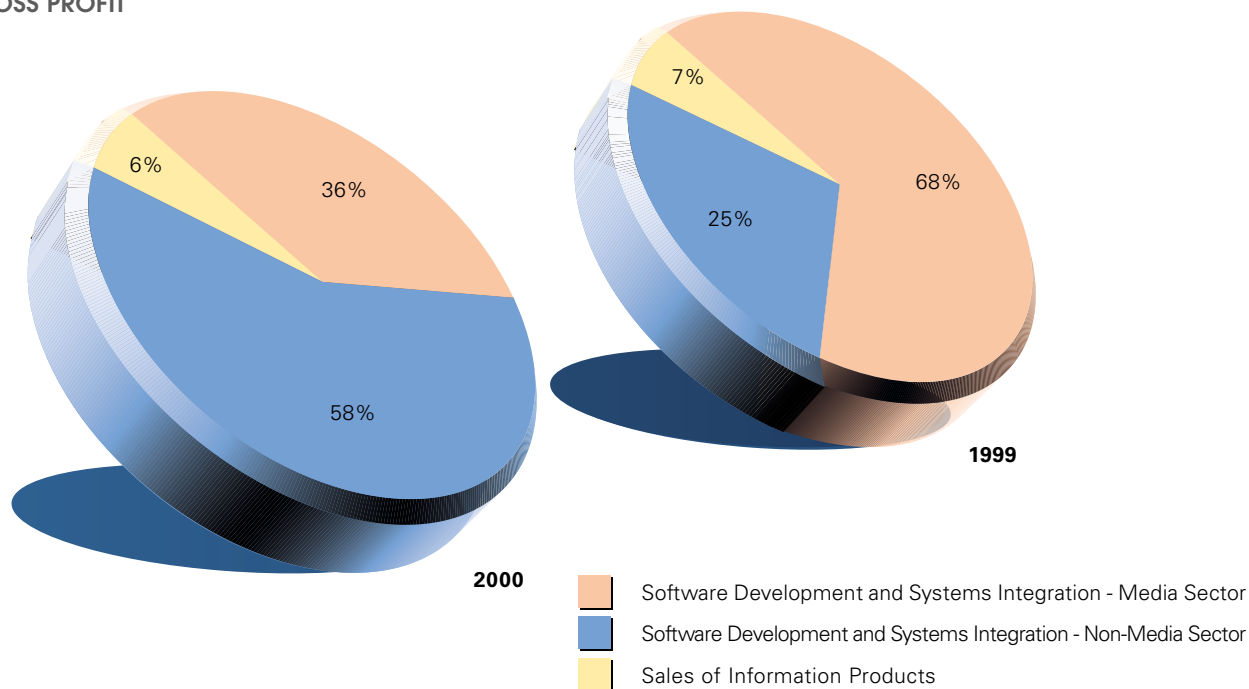
YEAR	2000	1999	1998	1997	1996
Turnover (HK\$' million)	2,088	1,583	2,164	1,973	1,483
Total assets (HK\$' million)	1,484	1,159	1,163	1,363	1,242
Total liabilities (HK\$' million)	716	601	491	552	528
Net assets (HK\$' million)	768	558	672	811	714
Net asset value per share (HK\$)	0.68	0.50	0.84	1.23	1.30
Working capital ratio	1.84	1.71	2.02	2.16	2.08
Long term debt to equity ratio	0.005	0.008	0.011	0.014	0.013
Total number of staff (As at the end of the year)	2,673	2,400	2,900	2,800	2,000

Financial Highlights

TURNOVER



GROSS PROFIT



Office Locations of the Group



Events of the Year

March 2000

Completion of group reorganisation through a Scheme of Arrangement

The Scheme of Arrangement under which Founder (Hong Kong) Limited became a wholly owned subsidiary of Founder Holdings Limited was sanctioned by the High Court of Hong Kong on 30 March 2000. With effect from 31 March 2000 the listing of the shares of Founder (Hong Kong) Limited was replaced by the listing of the shares of Founder Holdings Limited.

April 2000

Launch of Founder Internet Content Publish Server version 2.0 (“Founder ICS V2.0”)

Founder ICS V2.0 is a universal application tool for the setting up of web site and the distribution of information through internet. Besides Guangzhou Daily’s Online Paper “Da Yang Website”, a number of television stations and internet content providers in the People’s Republic of China have chosen to use this tool.

May 2000

Disposal of a 70% interest in Founder Data Corporation International Limited to Management Investment & Technology (Holdings) Limited

A sale and purchase agreement was entered into on 17 May 2000 for the disposal of the Group’s 70% interest in Founder Data Corporation International Limited to Management Investment & Technology (Holdings) Limited (“MITH”), a company listed on The Hong Kong Stock Exchange Limited, for a consideration of HK\$307,690,000 which was satisfied by the issuance of 307,690,000 shares of MITH at HK\$1.00 each. This transaction was subsequently completed on 28 September 2000 and MITH has become an associated company of the Group since then.

Events of the Year

September 2000 Softbank Finance Corporation invested in Founder International Inc

Softbank Finance Corporation, a renowned international venture capital investor, invested 1 billion Japanese yen through its two technology investment funds for approximately 17% interest in Founder International Inc, a subsidiary of the Group incorporated in Japan for systems integration business.

Appointment of sponsor for listing of PUC Founder (MSC) Berhad

A sponsor was appointed for the listing of the shares of PUC Founder (MSC) Berhad, a 49% owned associated company of the Group incorporated in Malaysia, on the Malaysian Exchange of Securities Dealing and Automated Quotation Bhd. It is expected that the results of the listing application will be known in the second quarter of 2001.

October 2000 Mitsubishi Corporation invested in Founder International Inc

Following the investment in Founder International Inc by Softbank Finance Corporation, Mitsubishi Corporation, a renowned international trading tycoon, invested 146 million Japanese yen for approximately 2.5% interest in Founder International Inc.

November 2000 Establishment of EC-Founder (Holdings) Company Limited

On 16 November 2000 Management Investment & Technology (Holdings) Limited changed its name to EC-Founder (Holdings) Company Limited which acts as the flagship of the Group for non-media e-commerce business.

December 2000 Setting up of Call Centre System for People's Insurance Company of China

Beijing Founder Order Computer System Co., Ltd. was granted a contract for the setting up of a nation-wide Call Centre System for People's Insurance Company of China.

Chairman's Statement



Mr Lei Hon Sang

Professor Wang Xuan

Professor Wei Xin

Mr Cheung Shuen Lung

Mr Zhang Zhao Dong

Mr Lo Siu Yu

Chairman's Statement

I have pleasure in presenting the annual report of the Group for the year ended 31 December 2000.

FINANCIAL RESULTS

The Group's audited consolidated profit after tax and minority interests for the year ended 31 December 2000 amounted to HK\$181 million compared with a loss of HK\$223 million for the previous year. Turnover for the year ended 31 December 2000 amounted to HK\$2,088 million, representing a 32% increase over 1999's turnover of HK\$1,583 million.

DIVIDENDS

The Board of Directors does not recommend the payment of any dividend in respect of the year.

MANAGEMENT DISCUSSION AND ANALYSIS

THE OPERATING REVIEW

Operating results for the year

Following the successful business restructuring and the implementation of tight internal management control, the Group has resumed its profit making position in the year under review. An analysis of turnover and gross profit for each of the principal activities of the Group is as follows:

	2000 HK\$' million	1999 HK\$' million	% of change
Turnover			
Software development and systems integration			
— Media sector	646	633	2%
— Non-media sector	846	316	168%
	1,492	949	57%
Sales of information products	596	634	(6%)
	2,088	1,583	32%

Chairman's Statement

	2000 <i>HK\$' million</i>	1999 <i>HK\$' million</i>	% of change
Gross profit			
Software development and systems integration			
— Media sector	155	136	14%
— Non-media sector	251	50	402%
	406	186	118%
Sales of information products	28	14	100%
	434	200	117%

(A) Software development and systems integration

Media sector

Our core businesses of media sector are still focused on the industries of newspapers, publishing, commercial printing, television and broadcasting. To maintain our market leader position in the Chinese electronic publishing systems ("EPS"), we have introduced a number of new products such as Founder Yuanbo Infobase System (方正淵博報業信息倉儲系統) (a news data search system), Founder Internet Content Publish Server version 2.0 (方正翔宇網站建設及內容發佈系統) (a universal application tool for the setting up of website and the distribution of information through internet) and Wired Agency Modules (電稿通) during the year under review. In order to cater for the customers' needs as a result of the increasing popularity of the use of internet, our various electronic publishing systems such as Founder Wentao Editorial System (方正文韜新聞採編系統), FIT Founder Integrated Typesetting System (方正飛騰集成組版系統) and Founder Jingluo Advertising System (方正經略廣告管理系統) have been upgraded and now can base upon the internet infrastructure using browser interface.

During the year ended 31 December 2000, we have successfully gained several major customers for our EPS business such as Zhuhai Te Qu Bao (珠海特區報), Shanghai Zheng Quan Bao (上海證券報), Hua Shang Bao (華商報) and Wulumuqi Wan Bao (烏魯木齊晚報) in the PRC and Hong Kong Jockey Club in Hong Kong. More than 30 media websites such as Shanghai Online (上海在線), China Youth Online (中青在線) and Beijing Television Station Website (北京電視台網站) have installed Founder Internet Content Publish Server version 2.0. Contracts for Computer-to-Print System (直接制版系統) were signed with Hubei Daily (湖北日報) and Wenhui-Xinming News Group (文匯新民報業集團). In

Chairman's Statement

addition, an integrated supply contract of approximately RMB20 million was signed with People's Daily (人民日報), the largest news group in the PRC, in relation to newspaper publication.

With the accelerating trend in the digitalisation of the broadcasting and television business in the PRC, we have spent more marketing effort to promote our digital media systems such as Founder Wuyou (Care Free) Digital Broadcasting System (方正無憂數字播控系統), Founder Wuxian (Infinite) Non-linear Editing System (方正無限非線性編輯系統), Founder Author Tool (方正奧思多媒體創作系統), Founder News Editorial System (方正新聞採編系統), Founder Interactive Video Website System (方正交互式視頻網站系統) and Founder Virtual Scene System (方正虛擬佈景系統). In the year under review, we obtained contracts for the installation of our digital media systems from CCTV (中國中央電視台), CCTV Overseas Centre (中國中央電視台海外中心), Hunan Economics Television Station (湖南經濟電視台), Henan Television Station (河南電視台), Jinan Television Station (濟南電視台), Shenyang Television Station (瀋陽電視台) and Shanghai Oriental Radio Station (上海東方廣播電台).

Non-media sector

The substantial increase in turnover for non-media sector during the year under review was mainly attributable to the acquisition of Beijing Founder Order Computer System Company Limited ("Founder Order") in the second half of 1999.

Through extensive relationship network and excellent service and technical support, the Group has established a strong clientele in the financial and banking sector, the insurance sector, the aviation sector, the government sector, the telecommunications sector as well as the electric power sector in the PRC. Our major customers include Industrial and Commercial Bank of China ("ICBC") and China Construction Bank. At present, Founder Order is regarded as the largest computer system provider for ICBC and is serving most of its branches in the PRC.

During the year ended 31 December 2000, the Group has secured a number of contracts in respect of electronic payment, digital image management, electronic verification, self service and network engineering in the PRC such as the nation-wide call centre system for People's Insurance Company of China and the network construction for the tax bureaus of the provinces of Hunan, Hubei, Sichuan, Guizhou and Xizang under the Phase 2 of the Golden Taxation Project. Furthermore, the Group has been granted a number of contracts in relation to e-marketing solutions in Japan.

(B) Sales of information products

The turnover of the sales of information products decreased by 6% to approximately HK\$596 million with its gross profit margin slightly improved to 4.8% as compared to 2.2% in 1999.

Chairman's Statement

The Group currently represents and distributes over 10 product lines for its own brands and certain world renowned brands such as Sun Microsystems, IBM, Apple Computers, Compaq and 3Com. The product lines include servers, workstations, notebook computers, laser printers, ink-jet plotters, scanners and networking products.

Disposal of subsidiaries

A sale and purchase agreement was entered into on 17 May 2000 for the disposal of the Group's 70% interest in Founder Data Corporation International Limited, a subsidiary engaged in non-media e-commerce business, to Management Investment & Technology (Holdings) Limited ("MITH"), a company listed on the Hong Kong Stock Exchange, for a consideration of HK\$307,690,000 which was satisfied by the issuance of 307,690,000 shares of MITH at HK\$1.00 each. In addition, the Company subscribed additional 16,000,000 shares of MITH at HK\$1.00 each. These transactions were subsequently completed on 28 September 2000 and MITH has become an associated company of the Group since then. A gain on disposal of subsidiaries of approximately HK\$79 million was recorded by the Group from such disposal. On 16 November 2000 MITH changed its name to EC-Founder (Holdings) Company Limited, which acts as the flagship of the Group for non-media e-commerce business.

In September 2000 Softbank Finance Corporation, a renowned international venture capital investor, invested 1 billion Japanese yen through its two technology investment funds for approximately 17% interest in Founder International Inc. In October 2000 Mitsubishi Corporation, a renowned international trading tycoon, also invested 146 million Japanese yen for approximately 2.5% interest in Founder International Inc. We expect that we can further explore the Japanese market much more successful with the help of these two partners. As our interest in Founder International Inc was diluted from 100% to approximately 80%, a gain on deemed disposal of subsidiary of approximately HK\$63 million was made by the Group.

Group reorganisation

To allow greater flexibility in formulating the Group's future expansion plan and to enhance the international standing of the Group, the Group was restructured under a scheme of arrangement under which Founder (Hong Kong) Limited became a wholly owned subsidiary of the Company. Since 31 March 2000 the listing of the shares of Founder (Hong Kong) Limited was replaced by the listing of the shares of the Company.

Chairman's Statement

Employees

The total number of employees of the Group as at 31 December 2000 was 2,673 (1999: 2,630), out of which 2,492 (1999: 2,464) employees were stationed in the PRC. The following are the numbers of employees as at 31 December 2000 categorised according to their functions:

Sales and marketing	581
After-sales services	502
Research and development	651
Accounting and finance	134
Administration and management	527
Others	278
	<hr/>
	2,673
	<hr/>

Salaries and annual bonuses are determined according to positions and performance of the employees. The Group provides on-the-job training to its employees in addition to retirement benefits schemes and medical insurance. To enable its employees to participate in the growth of the Group, the Company has adopted a share option scheme under which the directors of the Company may, at their discretion, grant options to directors and employees of the Company and its subsidiaries to subscribe for shares of the Company.

The Group has encountered no problems with the recruitment or training of its employees. None of the companies in the Group has experienced any labour disputes in the past and the directors of the Company consider that the Group has excellent employment relations.

Prospects and plans for the future

As at 31 December 2000, the major contracts on hand for the software development and systems integration business amounted to approximately HK\$1,162 million, out of which approximately HK\$246 million was not yet completed. The Group has secured additional contracts amounting to approximately HK\$222 million in the first quarter of 2001.

For the media sector, we have committed ourselves to maintain our market leader position in the Chinese electronic publishing systems in the foreseeable future. We will introduce our Eagle RIP System to our western customers and will employ more marketing resources to explore the western market.

Chairman's Statement

Our "e-book" integration system, one of our newly developed products for the media sector, was trial tested by the students of Peking University in December 2000 and the response from the students was encouraging. It is expected that the "e-book" integration system will be introduced to the market in early 2002.

The Group is also developing a number of various industrial and consumer products based on the fingerprint technology developed by Peking University Founder Group Corporation. We expect the fingerprint products will be available for marketing in the second half of 2001.

To cater for the overseas software development and systems integration business, the Group has established additional research and development teams in Zhuhai, Wuhan, Shenzhen and Toronto in late 2000 in addition to that in Beijing.

Through the introduction of new investors, we are planning to restructure the business of the sales of information products. We will expand the operations of our self developed information products but reduce the scale of the sales of non-self developed information products. We will also seek for more opportunities for making profit from the transfer of our self-developed technology such as the profit generated from the transfer of our non-media e-commerce business and technology to MITH in 2000. We expect that such move will improve our profitability in the coming future.

THE FINANCIAL REVIEW

Liquidity and financial resources

As at 31 December 2000, the Group recorded total assets of approximately HK\$1,484 million which were financed by liabilities of approximately HK\$716 million and equity of approximately HK\$768 million. The Group's net asset value per share as at 31 December 2000 was HK\$0.68 per share as compared to HK\$0.50 per share as at 31 December 1999.

The Group had a total cash and bank balance of approximately HK\$358 million as at 31 December 2000. After deducting bank loans and overdrafts of approximately of HK\$162 million, the Group recorded a net cash balance of approximately HK\$196 million as compared to HK\$169 million as at 31 December 1999. As at 31 December 2000, the Group had a working capital ratio of 1.84 (1999: 1.71) and a long term debt to equity ratio of 0.005 (1999: 0.008) with equity being defined as the total of capital and reserves.

Chairman's Statement

Charges on assets

At 31 December 2000 all the land and buildings in Hong Kong and certain investment properties of the Group and fixed deposits of approximately HK\$42 million were pledged to banks to secure banking facilities granted.

Treasury policies

The Group adopts conservative treasury policies and controls tightly over its cash and risk management. Cash is generally placed in short term deposits denominated in Hong Kong dollars.

Contingent liabilities

At 31 December 2000 the Company had contingent liabilities in relation to guarantees given to banks in connection with facilities granted to certain subsidiaries amounting to HK\$42 million.

Appreciation

On behalf of the Board of Directors, I would like to take this opportunity to thank our suppliers, customers and bankers for their continuing support and to thank our business partners and all staff for their hard work and dedication in the past year.

Wang Xuan

Chairman

24 April 2001

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Professor Wang Xuan, aged 64, is the Chairman of the Company and an honorary co-chairman of EC-Founder (Holdings) Company Limited. He is a professor of Peking University and one of the founders of the Group. He graduated from the Department of Mathematics at Peking University in 1958, and lectured and carried out research work at Peking University thereafter. Professor Wang is a member of the Science Academy of China, the China Engineering Academy and the Third World Science Academy. He is also a member of the Standing Committee of the Ninth National People's Congress ("NPC") and the vice-chairman of NPC Education, Science, Culture and Public Health Committee. He is currently the director of the Institute of Computer Science and Technology at Peking University.

Mr Cheung Shuen Lung, aged 45, is the President of the Company and the Chairman of EC-Founder (Holdings) Company Limited. He is a research fellow of the Enterprise Research Institute at Peking University and one of the founders of the Group. He has extensive experience in the information technology industry.

Mr Zhang Zhao Dong, aged 51, is an executive director of the Company and is currently the President of Peking University Founder Group Corporation, the substantial shareholder of the Company. Mr Zhang graduated from the Department of Geophysics at Peking University in 1977 and is a research fellow at Peking University.

Professor Wei Xin, aged 45, is an executive director of the Company and EC-Founder (Holdings) Company Limited. He is a professor, vice financial controller and the executive deputy director of the College of Education Science of Peking University. Professor Wei graduated from Peking University with a master degree in the economics of education, educational planning and financing. He is also a member of the team of experts of the China education project undertaken by the World Bank.

Mr Lei Hon Sang, aged 42, is an executive director of the Company and the President of EC-Founder (Holdings) Company Limited. He graduated from the Department of Computer Technology and Applied Mathematics of University of Hong Kong in 1983. Before joining the Group in May 1999, Mr Lei worked in the PRC branch office of a renowned international information technology company for 12 years and was the General Manager of information technology product department of the PRC branch.

Mr Lo Siu Yu, aged 35, is an executive director of the Company and the Chairman of Beijing Founder Order Computer System Co., Ltd. ("Founder Order"). He graduated from Peking University with a bachelor degree in Computer Science in 1987 and obtained a master degree from the Institute of Psychology of the Science Academy of China in 1990. He is one of the founders of Founder Order and has extensive experience in computer systems integration of the financial industry.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr Hu Hung Lick, Henry, G.B.S., O.B.E., PhD, J.P., aged 81, has been practising as barrister for over 45 years and is currently the President of Shue Yan College in Hong Kong, and a member of the Standing Committee of the Chinese People's Political Consultative Congress and the China International Economic and Trade Arbitration Commission. Dr Hu is also an adviser to the China Research Committee of Juvenile Delinquency.

Mr Li Fat Chung, aged 40, is a partner of Chan, Li, Law & Co., Certified Public Accountants, in Hong Kong. He is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom, the Hong Kong Society of Accountants and the Taxation Institute of Hong Kong. Mr Li received a master degree in Business Administration from University of Warwick, England.

SENIOR MANAGEMENT

Mr Yip Ka Yeung, Albert, aged 46, is one of the founders of the Group and has accumulated extensive operation and management experience in the computer industry. He is the Vice President of the Company and the Managing Director of Founder Information Limited. He is responsible for the Group's operations in Taiwan. Mr Yip is the brother-in-law of Mr Cheung Shuen Lung, the President of the Company.

Professor Xiao Jian Guo, aged 44, is a professor and a supervisor of PhD students of Peking University. He graduated from the Department of Computer Science at the College of Dalian Ocean Communication with a bachelor degree in 1982 and obtained a master degree in Computer Science at Peking University. He joined the Group in 1987 and is currently the President of Beijing Founder Electronics Co., Ltd. and the Director of the Founder Research and Development Centre which is responsible for the Group's research and development operations. Professor Xiao is also the Vice Chairman of Peking University Founder Group Corporation.

Mr Fung Man Yin, Sammy, aged 41, is the Group Financial Controller of the Company. He is a fellow member of the Institute of Chartered Accountants in England and Wales and an associate member of the Hong Kong Society of Accountants. He is also a Certified Public Accountant in Hong Kong. Mr Fung holds a bachelor degree in Economics and Accounting from University of Newcastle Upon Tyne, England and worked with several international accounting firms in England and Hong Kong over 10 years. Before joining the Group in October 2000, he was the Group Financial Controller of a listed company in Hong Kong over 8 years.

Biographical Details of Directors and Senior Management

Mr Guan Xiang Hong, aged 34, is the President of Founder International Inc and a senior engineer certified by the Ministry of International Trade and Industry of Japan. He graduated from the Electrical Engineering Department of Peking University and has extensive experience in the factory automation and electronic publishing industry in Japan. He is mainly responsible for the Group's operations in Japan and South Korea.

Mr See Chiu Yeung, aged 34, is the President Assistant and the Regional Business General Manager of Founder (Hong Kong) Limited. He graduated from the Faculty of Electrical Engineering at Morrison Hill Technical Institute, Hong Kong in 1989 and obtained a master degree in Business Administration from Murdoch University, Australia in 2001. He has extensive experience in electronic publishing industry and is currently mainly responsible for strategic planning and business development of Founder (Hong Kong) Limited.

Mr Teh Hon Seng, aged 37, graduated with a bachelor degree in Applied Science from Universiti Sains Malaysia and has extensive experience in the computer and electronic publishing industry. He joined the Group in 1995 and is currently the Managing Director of PUC Founder (M) Sdn Bhd and PUC Founder (MSC) Berhad responsible for the Group's operations in Malaysia and Singapore.

Mr Xu Wen Sheng, aged 32, is the President of Beijing Founder Order Computer System Co., Ltd. He graduated from the Computer Science Department of Dalian Institute of Technology with a bachelor degree in 1990. Mr Xu has extensive experience in computer systems integration of the financial industry.

Ms Kwok Leung Chu, Candy, aged 36, is the General Manager, Administration Department of Founder (Hong Kong) Limited. She obtained a master degree in Business Administration from Murdoch University, Australia in 2001. She is currently responsible for the procurement and administration functions of Founder (Hong Kong) Limited.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Founder Holdings Limited will be held at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong on 31 May 2001 at 11:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements for the year ended 31 December 2000 and the reports of the Directors and Auditors thereon.
2. To re-elect retiring Directors and authorise the Board of Directors to fix their remuneration.
3. To appoint Mr Xiao Jian Guo as additional Director.
4. To re-appoint Auditors and authorise the Board of Directors to fix their remuneration.
5. As special businesses, to consider and, if thought fit, pass the following resolutions, as Ordinary Resolutions:

(A) **“THAT**

- (a) subject to paragraph (b) of this Resolution, the exercise by the Directors of the Company during the relevant period (as defined herein) of all the powers of the Company to purchase shares of HK\$0.10 each in the capital of the Company (“Shares”), subject to and in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and all applicable laws, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Shares which may be purchased by the Company pursuant to paragraph (a) of this Resolution shall be no more than 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of this Resolution; and
- (c) for the purpose of this Resolution, “relevant period” means the period from the passing of this Resolution until whichever is the earlier of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the Company’s Bye-laws to be held; and
 - (iii) the revocation or variation of this Resolution by the passing of an ordinary resolution in general meeting of the Company.”

Notice of Annual General Meeting

(B) **“THAT**

- (a) subject to paragraph (c) of this Resolution, the exercise by the Directors of the Company during the relevant period (as defined herein) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including warrants, bonds and securities convertible into shares of the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution shall authorise the Directors of the Company during the relevant period to make or grant offers, agreements and options (including warrants, bonds and securities convertible into shares of the Company) which would or might require the exercise of such power after the end of the relevant period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) the exercise of the conversion rights attaching to any convertible securities issued by the Company; (ii) the exercise of warrants to subscribe for shares of the Company or the exercise of options granted under any share option scheme adopted by the Company; (iii) an issue of shares of the Company in lieu of the whole or part of a dividend on shares of the Company or a bonus issue of shares of the Company in accordance with the Company's Bye-laws; or (iv) any offer of any class of securities of the Company made pro rata (apart from fractional entitlements) by the Company to holders of such class of securities (excluding for that purpose any holder who is resident in a place where such offer is not permitted under the laws of that place), shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution and the said approval shall be limited accordingly; and
- (d) for the purpose of this Resolution, “relevant period” means the period from the passing of this Resolution until whichever is the earlier of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the Company's Bye-laws to be held; and
 - (iii) the revocation or variation of this Resolution by the passing of an ordinary resolution in general meeting of the Company.”

Notice of Annual General Meeting

- (C) “**THAT** the general mandate granted to the Directors of the Company to exercise the powers of the Company to allot, issue and deal with shares of the Company pursuant to Ordinary Resolution No. 5(B) set out in the notice of annual general meeting of the Company of which this Resolution forms part (the “Notice”) be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution No. 5(A) set out in the Notice, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution.”

By Order of the Board

Tang Yuk Bo, Yvonne

Company Secretary

Hong Kong, 24 April 2001

Notes:

- (1) A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company. Completion and returning of an instrument appointing a proxy will not preclude a member from attending and voting in person at the Meeting.
- (2) In order to be valid, the proxy form and any power of attorney (if any) or other authority (if any) under which it is signed, or a copy of such authority certified notially or in some other way approved by the Board of Directors, must be deposited with the Company's head office and principal place of business at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong not less than 48 hours before the time of the holding of the Meeting (or any adjourned meeting).
- (3) An explanatory statement containing the information necessary to enable the shareholders to make an informed decision as to whether or not to vote for or against Ordinary Resolution No. 5(A) above to approve the general mandate for the repurchase by the Company of its own Shares, as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, will be sent to shareholders of the Company together with the 2000 annual report.

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
	<hr/>	<hr/>
Total turnover	2,087,853	1,583,073
	<hr/>	<hr/>
Software development and systems integration	206,983	(99,209)
Sales of information products	(13,244)	(119,292)
	<hr/>	<hr/>
Total profit/(loss) from operating activities	193,739	(218,501)
	<hr/>	<hr/>

Report Of The Directors

SEGMENTAL INFORMATION *(Continued)*

	2000 HK\$'000	1999 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.

Report Of The Directors

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.

Report Of The Directors

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

Lo Siu Yu

(appointed on 1 September 2000)

(appointed on 1 September 2000)

Report Of The Directors

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.

Report Of The Directors

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	21,890,100
	<hr/>
	66,692,200
	<hr/>

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.

Report Of The Directors

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 HK\$
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.

Report Of The Directors

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.

Report Of The Directors

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

Report Of The Auditors



TO THE MEMBERS

FOUNDER HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 32 to 72 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

Hong Kong, 24 April 2001

Consolidated Profit And Loss Account

Year ended 31 December 2000

	Notes	2000 HK\$'000	1999 HK\$'000
TURNOVER	4	2,087,853	1,583,073
Cost of sales		<u>(1,653,433)</u>	<u>(1,382,910)</u>
Gross profit		434,420	200,163
Other income		193,608	6,019
Selling and distribution costs		(178,078)	(132,792)
Administrative expenses		(186,843)	(171,088)
Other operating expenses		<u>(69,368)</u>	<u>(120,803)</u>
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	5	193,739	(218,501)
Finance costs	6	(9,065)	(9,552)
Share of profits and losses of:			
Jointly-controlled entities		1,445	5,602
Associates		<u>(6,499)</u>	<u>—</u>
PROFIT/(LOSS) BEFORE TAX		179,620	(222,451)
Tax	9	<u>(1,315)</u>	<u>(879)</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		178,305	(223,330)
Minority interests		<u>2,701</u>	<u>259</u>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	10	<u>181,006</u>	<u>(223,071)</u>
EARNINGS/(LOSS) PER SHARE	11		
Basic		<u>16.2 cents</u>	<u>(23.4) cents</u>
Diluted		<u>15.9 cents</u>	<u>N/A</u>

Consolidated Statement Of Recognised Gains And Losses

Year ended 31 December 2000

	Notes	2000 HK\$'000	1999 HK\$'000
Exchange differences on translation of the financial statements of foreign entities	28	<u>296</u>	<u>1,324</u>
Net gains not recognised in the profit and loss account		296	1,324
Net profit/(loss) for the year attributable to shareholders		<u>181,006</u>	<u>(223,071)</u>
Total recognised gains/(losses)		181,302	(221,747)
Goodwill eliminated directly against reserves	28	<u>—</u>	<u>(284,760)</u>
		<u>181,302</u>	<u>(506,507)</u>

Consolidated Balance Sheet

31 December 2000

	Notes	2000 HK\$'000	1999 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	12	109,722	115,078
Deferred development costs	13	1,215	—
Interest in a jointly-controlled entity	15	5,463	26,674
Interests in associates	16	112,918	—
Long term investment	17	1,647	—
		230,965	141,752
CURRENT ASSETS			
Inventories	18	382,864	282,801
Trade receivables	19	345,871	310,840
Prepayments, deposits and other receivables	20	165,848	77,512
Tax recoverable		—	367
Pledged time deposits	21	42,009	40,000
Cash and cash equivalents	22	316,556	306,212
		1,253,148	1,017,732
CURRENT LIABILITIES			
Trade payables	23	287,513	182,572
Tax payable		1,502	354
Other payables and accruals	24	234,826	238,791
Interest-bearing bank borrowings	25	158,213	172,778
		682,054	594,495
NET CURRENT ASSETS		571,094	423,237
TOTAL ASSETS LESS CURRENT LIABILITIES		802,059	564,989
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	25	3,992	4,718
		798,067	560,271
Minority interests		29,622	2,424
		768,445	557,847
CAPITAL AND RESERVES			
Issued capital	27	112,380	110,865
Reserves	28	656,065	446,982
		768,445	557,847

Wei Xin
Director

Cheung Shuen Lung
Director

Consolidated Cash Flow Statement

Year ended 31 December 2000

	Notes	2000 HK\$'000	1999 HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	29(a)	(28,639)	(161,546)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		6,819	4,412
Interest paid		(9,065)	(9,552)
Net cash outflow from returns on investments and servicing of finance		(2,246)	(5,140)
TAX			
Overseas taxes paid		(160)	(571)
PRC taxes refunded		275	1,193
Net taxes refunded		115	622
INVESTING ACTIVITIES			
Purchases of fixed assets		(47,656)	(26,728)
Proceeds from disposal of fixed assets		27,487	9,938
Proceeds from partial disposal of a subsidiary		4,338	—
Purchase of a long term investment		(7,273)	—
Increase in time deposits pledged to banks		(2,009)	(40,000)
Increase in deferred development costs		(1,215)	—
Additional investment in a jointly-controlled entity		—	(7,776)
Increase/(decrease) in amount due to a jointly-controlled entity		(8,553)	8,553
Additional investment in associates		(38,767)	—
Increase in amounts due to associates		3,898	—
Increase in amounts due from associates		(11,122)	—
Acquisition of a subsidiary	29(c)	—	35,240
Disposal of subsidiaries	29(d)	(31,013)	—
Disposal of branch operations	29(e)	5,979	—
Disposal of a jointly-controlled entity		27,811	—
Net cash outflow from investing activities		(78,095)	(20,773)
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES		(108,865)	(186,837)

Consolidated Cash Flow Statement

Year ended 31 December 2000

	Notes	2000 HK\$'000	1999 HK\$'000
FINANCING ACTIVITIES	29(b)		
Proceeds from issue of share capital		29,296	71,763
Share issue expenses		—	(65)
New bank loans		263,984	238,010
Repayment of bank loans		(271,788)	(97,828)
Capital contributions by minority shareholders		96,249	2,683
Net cash inflow from financing activities		117,741	214,563
INCREASE IN CASH AND CASH EQUIVALENTS		8,876	27,726
Cash and cash equivalents at beginning of year		305,910	277,285
Effect of foreign exchange rate changes, net		574	899
CASH AND CASH EQUIVALENTS AT END OF YEAR		315,360	305,910
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		300,784	251,975
Time deposits		15,772	54,237
Bank overdrafts		(1,196)	(302)
		315,360	305,910

Balance Sheet

31 December 2000

	Notes	2000 HK\$'000
NON-CURRENT ASSETS		
Interests in subsidiaries	14	263,038
Interests in associates	16	323,692
		<u>586,730</u>
CURRENT ASSETS		
Other receivables	20	172
CURRENT LIABILITIES		
Accruals	24	779
NET CURRENT LIABILITIES		<u>(607)</u>
		<u>586,123</u>
CAPITAL AND RESERVES		
Issued capital	27	112,380
Reserves	28	473,743
		<u>586,123</u>

Wei Xin
Director

Cheung Shuen Lung
Director

Notes To Financial Statements

31 December 2000

1. CORPORATE INFORMATION

The head office and principal place of business of Founder Holdings Limited is located at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong.

During the year, the Group was involved in the following principal activities:

- software development and systems integration
- sales of information products
- property investment

2. 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 ("FHK") became a wholly owned subsidiary of the Company.

Dealing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") commenced on 31 March 2000 whilst the listing status of FHK was simultaneously withdrawn. Further details of the Group reorganisation are set out in the scheme document dated 3 January 2000.

The comparative balance sheet of the Company as at 31 December 1999 has not been presented as the Company did not have any assets or liabilities at that date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties and land and buildings, as further explained below.

Notes To Financial Statements

31 December 2000

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2000. The results of subsidiaries established, acquired or disposed of during the year are consolidated from or to their effective dates of establishment, acquisition or disposal, respectively except for the Group reorganisation which have been accounted for by using merger accounting. In applying the merger accounting, the Company has been treated as the holding company of the Group for both years presented rather than from the effective date of the Group reorganisation.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

In the opinion of the directors, the consolidated financial statements prepared on the above basis more fairly present the results, cash flows and state of affairs of the Group as a whole.

Subsidiaries

A subsidiary is a company, other than a jointly-controlled entity, in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Joint venture arrangements which involve the establishment of a separate entity in which the Group and other parties have an interest are referred to as jointly-controlled entities.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for diminutions in values other than temporary in nature deemed necessary by the directors.

Notes To Financial Statements

31 December 2000

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Associates

An associate is a company, not being a subsidiary or a joint venture, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for diminutions in values other than temporary in nature deemed necessary by the directors.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are stated at cost less any provisions for diminutions in values other than temporary in nature deemed necessary by the directors.

Goodwill

Goodwill arising on consolidation of subsidiaries and on acquisition of associates and jointly-controlled entities represents the excess purchase consideration paid over the fair values ascribed to the net underlying assets acquired and is eliminated against reserves in the year of acquisition. On disposal of subsidiaries, associates or jointly-controlled entities, the relevant portion of attributable goodwill previously eliminated against reserves is written back and included in the calculation of the gain or loss on disposal.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost or valuation less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of the fixed asset.

Changes in the values of fixed assets, other than investment properties, are dealt with as movements in the revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained earnings as a movement in reserves.

Notes To Financial Statements

31 December 2000

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fixed assets and depreciation *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life, after taking into account its estimated residual value. The principal annual rates used for this purpose are as follows:

Land and buildings	Over the terms of the leases
Leasehold improvements	20% or over the terms of the leases, if shorter
Furniture, fixtures and equipment	10% — 33 $\frac{1}{3}$ %
Motor vehicles	20% — 30%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Research and development costs

All research costs are charged to the profit and loss account as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding three years, commencing from the date when the products are put into commercial production.

Notes To Financial Statements

31 December 2000

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged or credited to the profit and loss account on the straight-line basis over the lease terms.

Long term investments

Long term investments in unlisted equity securities intended to be held for a continuing strategic or long term purpose are stated at cost less any provisions for impairments in values deemed necessary by the directors, other than those considered to be temporary in nature, on an individual basis.

When such impairments in values have occurred, the carrying amounts of the securities are reduced to their fair values, as estimated by the directors, and the amounts of the impairments are charged to the profit and loss account for the period in which they arise. When the circumstances and events which led to the impairments in values cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amounts of the impairments previously charged is credited to the profit and loss account to the extent of the amounts previously charged.

Inventories

Inventories, which principally comprise trading stocks, are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries, jointly-controlled entities and associated companies are translated to Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Notes To Financial Statements

31 December 2000

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefits scheme

The Group operates defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance, for all those employees who are eligible to participate. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. The assets of the scheme are held separately from those of the Group in independently administered funds. When an employee leaves the Mandatory Provident Fund Exempted ORSO retirement benefits scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions. In respect to the Mandatory Provident Fund retirement benefits scheme, the Group's employer contributions vest fully with the employees when contributed into the scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the scheme.

Employees in the People's Republic of China (the "PRC") are enrolled in the mandatory central pension scheme operated by the PRC government. The assets of the schemes are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the participating employees' salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) the rendering of services, when the transactions have been completed in accordance with the terms of the contracts;
- (c) disposal of fixed assets, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group has no further substantial acts and/or continuing involvement to complete under the contracts;
- (d) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (e) rental income, on a time proportion basis over the lease terms.

Notes To Financial Statements

31 December 2000

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

4. TURNOVER AND REVENUE

Turnover represents the net invoiced value of goods sold, after allowance for returns and trade discounts and the value of services rendered during the year.

An analysis of turnover and revenue is as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Software development and systems integration	1,492,128	948,760
Sales of information products	595,725	634,313
Turnover	2,087,853	1,583,073
Rental income	1,995	1,458
Interest income	6,819	4,412
Proceeds from disposal of fixed assets	27,487	9,938
Proceeds from disposal of subsidiaries	210	—
Proceeds from partial disposal of a subsidiary	4,338	—
Proceeds from disposal of branch operations	9,084	—
Proceeds from disposal of a jointly-controlled entity	27,811	—
Revenue	2,165,597	1,598,881

Notes To Financial Statements

31 December 2000

5. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	Group	
	2000	1999
	HK\$'000	HK\$'000
Research and development costs:		
Current year expenditure	24,576	46,191
Deferred expenditure amortised	—	3,343
Deferred expenditure written off	—	2,162
	24,576	51,696
Staff costs (including directors' remuneration — note 7):		
Wages and salaries	142,202	122,484
Pension contributions*	7,170	4,523
Less: Forfeited contributions	(206)	(92)
	149,166	126,915
Auditors' remuneration	2,300	2,400
Cost of inventories sold	1,589,102	1,345,146
Depreciation	18,675	41,676
Loss/(gain) on disposal of fixed assets	(6,145)	4,785
Loss on disposal of branch operations	8,249	—
Loss on disposal of a jointly-controlled entity	3,398	—
Operating lease rentals in respect of land and buildings	29,073	31,188
Revaluation deficit — land and buildings	2,582	10,978
Revaluation deficit — investment properties	2,280	5,440
Provision for diminution in value of a long term investment	5,626	—
Provision for doubtful trade debts	8,939	55,171
Exchange losses, net	15	10
Gain on disposal of subsidiaries	(79,116)	—
Gain on deemed disposal of a subsidiary	(62,680)	—
Gain on partial disposal of a subsidiary	(3,452)	—
Interest income	(6,819)	(4,412)
Rental income — gross and net	(1,995)	(1,458)

* At 31 December 2000, forfeited contributions available to the Group to reduce its contributions to the pension scheme in future years were not material.

Notes To Financial Statements

31 December 2000

6. FINANCE COSTS

	Group	
	2000	1999
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	9,065	9,552

7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Fees	824	1,069
Other emoluments:		
Salaries, allowances and benefits in kind	1,163	1,486
Pension scheme contributions	40	40
	1,203	1,526
	2,027	2,595

Fees include HK\$264,000 (1999: HK\$264,000) payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (1999: Nil).

The remuneration of the directors fell within the following band:

	Number of directors	
	2000	1999
Nil — HK\$1,000,000	8	13

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Notes To Financial Statements

31 December 2000

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (1999: one) director, details of whose remuneration is set out in note 7 above. The details of the remuneration of the remaining four (1999: four) non-director, highest paid employees are as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	3,162	5,272
Pension scheme contributions	43	188
	3,205	5,460

The remuneration of the above non-director, highest paid employees fell within the following bands:

	Number of employees	
	2000	1999
Nil — HK\$1,000,000	3	2
HK\$1,000,001 — HK\$1,500,000	—	1
HK\$1,500,001 — HK\$2,000,000	1	—
HK\$2,500,001 — HK\$3,000,000	—	1
	4	4

9. TAX

	Group	
	2000	1999
	HK\$'000	HK\$'000
Group:		
Outside Hong Kong	1,033	879
Share of tax attributable to associates	282	—
Tax charge for the year	1,315	879

Notes To Financial Statements

31 December 2000

9. TAX (Continued)

No Hong Kong profits tax has been provided as no assessable profits are arising in Hong Kong during the year.

Beijing Founder Electronics Company Limited, a wholly owned PRC subsidiary of the Group, is subject to PRC profits tax at 50% of its standard tax rate for the three fiscal years commenced on 1 January 1998 and ended on 31 December 2000. Beijing Founder Order Computer System Company Limited, a wholly owned PRC subsidiary of the Group, is exempted from PRC profits tax for the three fiscal years commenced in 1999 and ending on 31 December 2001 and, thereafter, will be taxable at 50% of its standard tax rate in the fourth to sixth years, inclusive. At present, the standard tax rate applicable to the PRC subsidiaries is 15%. No provision for PRC profits tax has been made as the relevant PRC subsidiaries were either under the tax free period or incurred losses during the year.

Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

There was no significant unprovided deferred tax in respect of the year (1999: Nil).

10. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$2,126,000.

11. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net profit attributable to shareholders for the year of HK\$181,006,000 (1999: loss of HK\$223,071,000), and the weighted average of 1,116,405,000 (1999: 951,275,000) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for the year of HK\$181,006,000. The weighted average number of ordinary shares used in the calculation is 1,116,405,000 ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average of 23,986,000 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

Diluted loss per share for the year ended 31 December 1999 has not been calculated as the impact of the outstanding share options was anti-dilutive.

Notes To Financial Statements

31 December 2000

12. FIXED ASSETS

Group

	Investment properties HK\$'000	Land and buildings in Hong Kong HK\$'000	Land and buildings in the PRC HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation:							
At 1 January 2000	18,480	25,300	14,551	6,312	109,632	23,814	198,089
Additions	—	—	—	6,405	40,725	526	47,656
Disposals	—	—	—	—	(60,562)	(4,697)	(65,259)
Disposal of branch operations	—	—	(136)	—	(2,494)	(542)	(3,172)
Disposal of subsidiaries	—	—	—	(1,669)	(5,958)	—	(7,627)
Revaluation deficit	(2,280)	(3,600)	—	—	—	—	(5,880)
Exchange adjustments	—	—	56	(13)	173	83	299
At 31 December 2000	16,200	21,700	14,471	11,035	81,516	19,184	164,106
Accumulated depreciation:							
At 1 January 2000	—	—	124	5,964	65,839	11,084	83,011
Provided during the year	—	1,018	297	166	14,135	3,059	18,675
Disposals	—	—	—	—	(41,042)	(2,875)	(43,917)
Disposal of branch operations	—	—	(22)	—	(1,564)	(245)	(1,831)
Disposal of subsidiaries	—	—	—	—	(707)	—	(707)
Written back on revaluation	—	(1,018)	—	—	—	—	(1,018)
Exchange adjustments	—	—	—	(1)	133	39	171
At 31 December 2000	—	—	399	6,129	36,794	11,062	54,384
Net book value:							
At 31 December 2000	16,200	21,700	14,072	4,906	44,722	8,122	109,722
At 31 December 1999	18,480	25,300	14,427	348	43,793	12,730	115,078
Analysis of cost and valuation:							
At cost	—	—	14,471	11,035	81,516	19,184	126,206
At 31 December 2000 valuation	16,200	21,700	—	—	—	—	37,900
	16,200	21,700	14,471	11,035	81,516	19,184	164,106

The Group's land and buildings in Hong Kong were revalued at 31 December 2000 by Centaline Surveyors Ltd., independent professional valuers, on an open market, existing use basis.

Had the Group's land and buildings in Hong Kong been carried at historical cost less accumulated depreciation, their carrying values would have been approximately HK\$38,649,000 (1999: HK\$39,541,000).

Notes To Financial Statements

31 December 2000

12. FIXED ASSETS (Continued)

The Group's land and buildings included above are held under the following lease terms:

	Hong Kong HK\$'000	PRC HK\$'000	Total HK\$'000
At cost:			
Long term leases	—	14,471	14,471
At valuation:			
Medium term leases	21,700	—	21,700
	<u>21,700</u>	<u>14,471</u>	<u>36,171</u>

The Group's investment properties are situated in Hong Kong and are held under medium term leases.

The Group's investment properties were revalued at 31 December 2000 by Centaline Surveyors Ltd., independent professional valuers, on an open market, existing use basis.

Particulars of the Group's investment properties are included on page 73 of the annual report.

All the land and buildings in Hong Kong and certain investment properties of the Group were pledged to banks to secure banking facilities (note 25).

13. DEFERRED DEVELOPMENT COSTS

	Group	
	2000 HK\$'000	1999 HK\$'000
Cost:		
At beginning of year	11,868	13,969
Additions	1,215	—
Written off	—	(2,162)
Exchange adjustments	29	61
At 31 December	<u>13,112</u>	<u>11,868</u>
Accumulated amortisation:		
At beginning of year	11,868	8,482
Provided during the year	—	3,343
Exchange adjustments	29	43
At 31 December	<u>11,897</u>	<u>11,868</u>
Net book value:		
At 31 December	<u>1,215</u>	<u>—</u>

Notes To Financial Statements

31 December 2000

14. INTERESTS IN SUBSIDIARIES

	Company 2000 HK\$'000
Unlisted shares, at cost	559,088
Due from subsidiaries	11,610
Due to a subsidiary	(307,660)
	263,038

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Founder (Hong Kong) Limited	Hong Kong	Ordinary HK\$110,879,989	100%	—	Systems integration and sales of information products
Beijing Founder Electronics Company Limited	People's Republic of China	Registered HK\$130 million	—	100%	Software development, systems integration and sales of information products
Sparkling Idea Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	—	100%	Investment holding
Founder Systems (B.V.I.) Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	—	100%	Systems integration and sales of information products
Beijing Founder Order Computer System Company Limited	People's Republic of China	Registered HK\$8 million	—	100%	Software development and systems integration

Notes To Financial Statements

31 December 2000

14. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Royal Bright Limited	Hong Kong	Ordinary HK\$2	—	100%	Property holding
Royal Leader Limited	Hong Kong	Ordinary HK\$2	—	100%	Property holding
Royal Power Limited	Hong Kong	Ordinary HK\$2	—	100%	Property holding
Sharp Century Limited	Hong Kong	Ordinary HK\$2	—	100%	Property holding
True Luck Group Limited	British Virgin Islands	Ordinary US\$1	—	100%	Investment holding
Founder Technology (Canada) Corp.*	Canada	Ordinary CAN\$100	—	100%	Systems integration
PUC Founder (M) Sdn. Bhd.*	Malaysia	Ordinary RM500,000	—	100%	Investment holding
PUC Founder (S) Pte. Ltd.*	Republic of Singapore	Ordinary S\$200,000	—	100%	Systems integration
Founder International Inc.* (formerly known as Founder Inc.)	Japan	Ordinary JP¥62,150,000	—	79.4%	Systems integration
Power Print Inc.*	Japan	Ordinary JP¥400 million	—	52.72% **	Printing
Founder Info Service Limited*	British Virgin Islands	Ordinary US\$2 million	—	75.17% **	Investment holding
Beijing Founder International Co., Limited*	People's Republic of China	Ordinary USD500,000	—	79.4% **	Publishing of magazine
Founder Information Limited *	Taiwan	Ordinary NT\$40 million	—	70%	Systems integration
Hope Information Technology Co., Ltd.*	Taiwan	Ordinary NT\$21,021,730	—	35.7% **	Publishing

Notes To Financial Statements

31 December 2000

14. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Fitan Holding Co. Limited*	Samoa Islands/ Taiwan	Ordinary US\$6 million	—	35.7% **	Investment holding

* not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms

** incorporated during the year

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

15. INTERESTS IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2000 HK\$'000	1999 HK\$'000
Share of net assets	5,463	35,227
Due to a jointly-controlled entity	—	(8,553)
	<u>5,463</u>	<u>26,674</u>

Particulars of the jointly-controlled entity are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
Beijing PeCan Information System Inc.	PRC equity joint venture	People's Republic of China	30%	30%	30%	Software development and trading of information products

The above investment in a jointly-controlled entity is indirectly held by the Company.

Notes To Financial Statements

31 December 2000

16. INTERESTS IN ASSOCIATES

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Listed shares in Hong Kong, at cost	—	—	323,692	—
Share of net assets	105,694	—	—	—
Due from associates	11,122	—	—	—
Due to associates	(3,898)	—	—	—
	112,918	—	323,692	—
Market value of listed shares at balance sheet date	388,430	—	388,430	—

The amounts due from/to associates are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the associates are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of ownership interest attributable to the Group		Principal activities
			2000	1999	
EC-Founder (Holdings) Company Limited	Corporate	Bermuda/ Hong Kong and People's Republic of China	39.45%	—	Design, manufacture and marketing of consumer and industrial electronic products, provision of management services, provision of software solution and e-commerce services
PUC Founder (MSC) Berhad*	Corporate	Malaysia	49%	100%	Provision of computer related software and development services
飛網科技股份有限公司 *	Corporate	Taiwan	16.07%	—	Design of websites and systems integration

* not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms

Except for EC-Founder (Holdings) Company Limited, which is held directly by the Company, the shareholdings in the above associates are held through subsidiaries.

Notes To Financial Statements

31 December 2000

16. INTERESTS IN ASSOCIATES (Continued)

Included in the Group's share of net assets of its associates is the share of net assets of EC-Founder (Holdings) Company Limited, a company listed on the Stock Exchange, which in the opinion of the directors, is material in the context of the Group's financial statements. Further summary details of the consolidated net assets of EC-Founder (Holdings) Company Limited as at 31 December 2000 and of its consolidated results for the year then ended are as follows:

	<i>HK\$'000</i>
Fixed assets	110,387
Interests in associates	32,318
Long term investments	1,075
Deferred development costs	4,980
Current assets	277,124
Current liabilities	(164,512)
Long term liabilities	(4,619)
Minority interests	(3,331)
	<u>253,422</u>
Share of net assets	<u>253,422</u>
	<i>HK\$'000</i>
Turnover	<u>258,664</u>
Loss before tax	(36,761)
Tax	<u>(3,075)</u>
Loss before minority interests	(39,836)
Minority interests	<u>(5)</u>
Net loss attributable to shareholders	<u>(39,841)</u>

The net consolidated loss attributable to the Group subsequent to 28 September 2000 had been accounted for using the equity method in the Group's financial statements as follows:

	<i>HK\$'000</i>
Share of loss of an associate	(7,288)
Share of tax	<u>(282)</u>
	<u>(7,570)</u>

Notes To Financial Statements

31 December 2000

17. LONG TERM INVESTMENTS

	Group	
	2000	1999
	HK\$'000	HK\$'000
Unlisted equity investments, at cost	7,273	—
Provision for impairment in values	(5,626)	—
	<u> </u>	<u> </u>
Unlisted equity investments, at fair value	1,647	—
	<u> </u>	<u> </u>

18. INVENTORIES

	Group	
	2000	1999
	HK\$'000	HK\$'000
Trading stocks	382,864	282,801
	<u> </u>	<u> </u>

The carrying amount of inventories carried at net realisable value included in the above was immaterial.

19. TRADE RECEIVABLES

	Group	
	2000	1999
	HK\$'000	HK\$'000
Trade receivables	345,871	310,840
	<u> </u>	<u> </u>

Notes To Financial Statements

31 December 2000

19. TRADE RECEIVABLES *(Continued)*

Trading terms with customers are largely on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 30 to 90 days of issuance. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management.

The aged analysis of trade receivables is as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
1-6 months	301,043	258,718
7-12 months	28,497	24,848
13-24 months	14,898	26,811
Over 24 months	1,433	463
	345,871	310,840

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company
	2000	1999	2000
	HK\$'000	HK\$'000	HK\$'000
Prepayments	85,028	38,952	—
Deposits and other debtors	80,820	38,560	172
	165,848	77,512	172

21. PLEDGED TIME DEPOSITS

	Group	
	2000	1999
	HK\$'000	HK\$'000
Time deposits	42,009	40,000

At 31 December 2000, certain time deposits of the Group were pledged to banks for the banking facilities granted.

Notes To Financial Statements

31 December 2000

22. CASH AND CASH EQUIVALENTS

	Group	
	2000	1999
	HK\$'000	HK\$'000
Cash and bank balances	300,784	251,975
Time deposits	15,772	54,237
	<u>316,556</u>	<u>306,212</u>

23. TRADE PAYABLES

	Group	
	2000	1999
	HK\$'000	HK\$'000
Trade payables	<u>287,513</u>	<u>182,572</u>

The aged analysis of trade payables is as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
1-6 months	225,791	93,737
7-12 months	60,545	47,664
1-2 years	1,036	34,670
Over 2 years	141	6,501
	<u>287,513</u>	<u>182,572</u>

24. OTHER PAYABLES AND ACCRUALS

	Group		Company
	2000	1999	2000
	HK\$'000	HK\$'000	HK\$'000
Accruals	88,388	56,886	779
Other liabilities	37,163	21,321	—
Trading receipts in advance	109,275	160,584	—
	<u>234,826</u>	<u>238,791</u>	<u>779</u>

Notes To Financial Statements

31 December 2000

25. INTEREST-BEARING BANK BORROWINGS

	Group	
	2000	1999
	HK\$'000	HK\$'000
Bank overdrafts:		
Secured	1,196	302
Bank loans:		
Secured	4,730	5,359
Unsecured	141,420	148,785
	146,150	154,144
Trust receipt loans:		
Secured	14,859	23,050
	162,205	177,496
Bank overdrafts repayable within one year or on demand	1,196	302
Bank loans and trust receipt loans repayable:		
Within one year or on demand	157,017	172,476
In the second year	824	711
In the third to fifth years, inclusive	3,059	2,639
Beyond five years	109	1,368
	161,009	177,194
	162,205	177,496
Portion classified as current liabilities	(158,213)	(172,778)
Long term portion	3,992	4,718

Notes To Financial Statements

31 December 2000

25. INTEREST-BEARING BANK BORROWINGS *(Continued)*

- (a) Certain of the Group's bank loans and overdrafts are secured by:
- (i) Mortgages over certain of the Group's investment properties which had an aggregate carrying value at the balance sheet date of approximately HK\$6,600,000 (1999: HK\$7,880,000).
 - (ii) Mortgages over the Group's land and buildings in Hong Kong which had an aggregate net book value at the balance sheet date of approximately HK\$21,700,000 (1999: HK\$25,300,000).
 - (iii) Charges over the Group's bank balances of approximately HK\$42,009,000 (1999: HK\$40,000,000).
- (b) Approximately HK\$141,420,000 (1999: HK\$140,785,000) of the Group's unsecured bank loans at the balance sheet date were guaranteed by Peking University Founder Group Corporation ("Peking Founder"), a substantial shareholder of the Group.

26. DEFERRED TAX

The principal components of the Group's deferred tax asset not recognised in the financial statements are as follows:

	Not provided	
	2000	1999
	HK\$'000	HK\$'000
Accelerated depreciation allowances	—	234
Tax losses	16,199	19,371
	16,199	19,605

The revaluation of the Group's investment properties does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

Notes To Financial Statements

31 December 2000

27. SHARE CAPITAL

Shares

**Company
2000
HK\$'000**

Authorised:

1,600,000,000 ordinary shares of HK\$0.10 each **160,000**

Issued and fully paid:

1,123,799,893 ordinary shares of HK\$0.10 each **112,380**

The following changes in the Company's ordinary share capital took place between 24 September 1999 (date of incorporation) and 31 December 2000:

- (a) On incorporation, the Company had an authorised share capital of HK\$100,000 divided into 1,000,000 shares of HK\$0.10 each, all of which were allotted and issued nil paid on 27 September 1999.
- (b) On 31 March 2000, the authorised share capital of the Company was increased to HK\$160,000,000 by the creation of 1,599,000,000 additional shares of HK\$0.10 each ranking pari passu with the then existing shares in all respects.
- (c) On 31 March 2000, pursuant to the Group reorganisation, the Company (i) allotted and issued 1,107,799,893 new shares of HK\$0.10 each credited as fully paid and (ii) credited as fully paid at par of the 1,000,000 shares allotted and issued at nil paid as set out in (a) above, in consideration for the acquisition of the entire issued share capital of FHK.
- (d) The subscription rights attaching to 15,000,000 share options were exercised at the subscription price of HK\$1.944 per share, resulting in the issue a total of 15,000,000 ordinary shares of HK\$0.10 each for a total cash consideration, before expenses, of approximately HK\$29,160,000.

Notes To Financial Statements

31 December 2000

27. SHARE CAPITAL (Continued)

A summary of the transactions during the year with reference to the above movements of the Company's authorised and issued share capital is as follows:

	Number of shares authorised	Number of shares issued	Nominal value of shares issued HK\$'000
Shares issued nil paid on incorporation	1,000,000	1,000,000	100
Increase in authorised share capital	1,599,000,000	—	—
Shares issued in consideration for the acquisition of 100% interest in the issued share capital of FHK	—	1,107,799,893	110,780
Shares issued on exercise of options	—	15,000,000	1,500
	<u>1,600,000,000</u>	<u>1,123,799,893</u>	<u>112,380</u>

The issued share capital of FHK outstanding at the time of Group reorganisation included 1,108,799,893 ordinary shares of HK\$0.10 each.

The comparative share capital of HK\$110,865,000 shown in the consolidated balance sheet represents the share capital of FHK, the then holding company of the Group prior to the Group reorganisation. The amount represented 1,108,649,893 ordinary shares of HK\$0.10 each.

Notes To Financial Statements

31 December 2000

27. SHARE CAPITAL *(Continued)*

Share options

On 7 December 1995, FHK adopted a share option scheme (the "Scheme") under which the directors may, at their discretion, grant options to directors and employees of the Company and its subsidiaries to subscribe for shares in FHK. The maximum number of shares in respect of which options may be granted may not exceed 10% of the share capital of FHK in issue from time to time. The Scheme will remain in force for a period of 10 years from the date of its adoption. The Scheme was cancelled and replaced by the share option scheme of the Company with same terms with effect from 31 March 2000 pursuant to the Group reorganisation.

Movements in share options to subscribe for ordinary shares in the Company during the year are as follows:

At beginning of year	Exercised on 10 January 2000	Exercised on 2 March 2000	Exercised on 28 June 2000	Lapsed on 30 March 2000	At 31 December 2000	Exercise price	Exercise period
20,160,000	—	—	—	—	20,160,000	HK\$1.397	21 December 1998 to 6 December 2005
1,050,600	(50,000)	(100,000)	—	(600)	900,000	HK\$0.912	16 April 1999 to 6 December 2005
25,000,000	—	—	(15,000,000)	—	10,000,000	HK\$1.944	1 November 1999 to 6 December 2005
<u>46,210,600</u>	<u>(50,000)</u>	<u>(100,000)</u>	<u>(15,000,000)</u>	<u>(600)</u>	<u>31,060,000</u>		

The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of additional 31,060,000 ordinary shares of HK\$0.10 each for a total cash consideration of HK\$48,424,320 before the related issue expenses.

Notes To Financial Statements

31 December 2000

28. RESERVES

Group

	Share premium account HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Goodwill reserve HK\$'000	Land and buildings revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	General reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 January 1999	506,153	—	—	—	601	833	38,838	46,244	592,669
Issue of shares	360,885	—	—	—	—	—	—	—	360,885
Share issue expenses	(65)	—	—	—	—	—	—	—	(65)
Goodwill on acquisition	—	—	—	(284,760)	—	—	—	—	(284,760)
Loss for the year	—	—	—	—	—	—	—	(223,071)	(223,071)
Exchange realignments	—	—	—	—	—	1,324	—	—	1,324
At 31 December 1999 and beginning of year	866,973	—	—	(284,760)	601	2,157	38,838	(176,827)	446,982
Issue of shares	27,781	—	—	—	—	—	—	—	27,781
Arising on Group reorganisation	(867,094)	867,094	—	—	—	—	—	—	—
Transfer	—	(284,760)	—	284,760	—	—	—	—	—
Profit for the year	—	—	—	—	—	—	—	181,006	181,006
Transfer to general reserve	—	—	—	—	—	—	4,028	(4,028)	—
Transfer to capital reserve	—	—	62,680	—	—	—	—	(62,680)	—
Exchange realignments	—	—	—	—	—	296	—	—	296
31 December 2000	<u>27,660</u>	<u>582,334</u>	<u>62,680</u>	<u>—</u>	<u>601</u>	<u>2,453</u>	<u>42,866</u>	<u>(62,529)</u>	<u>656,065</u>
Reserves retained by:									
Company and subsidiaries	27,660	582,334	62,680	—	601	2,293	42,866	(59,530)	658,904
Jointly-controlled entities	—	—	—	—	—	85	—	3,782	3,867
Associates	—	—	—	—	—	75	—	(6,781)	(6,706)
31 December 2000	<u>27,660</u>	<u>582,334</u>	<u>62,680</u>	<u>—</u>	<u>601</u>	<u>2,453</u>	<u>42,866</u>	<u>(62,529)</u>	<u>656,065</u>
Company and subsidiaries	866,973	—	—	(284,760)	601	2,087	38,838	(179,164)	444,575
Jointly-controlled entities	—	—	—	—	—	70	—	2,337	2,407
Associates	—	—	—	—	—	—	—	—	—
31 December 1999	<u>866,973</u>	<u>—</u>	<u>—</u>	<u>(284,760)</u>	<u>601</u>	<u>2,157</u>	<u>38,838</u>	<u>(176,827)</u>	<u>446,982</u>

The contributed surplus of the Group originally represented the difference between the nominal value of the shares and the share premium account of FHK acquired pursuant to the Group reorganisation, over the nominal value of the Company's shares issued in exchange therefor.

The capital reserve of the Group arose from the increase in non-distributable reserve of a subsidiary.

Notes To Financial Statements

31 December 2000

28. RESERVES (Continued)

In accordance with the relevant PRC regulations, each of the Group's PRC subsidiaries and jointly-controlled entities is required to transfer not less than 10% of its profit after tax, as determined in accordance with PRC accounting standards and regulations, to a general reserve until such reserve reaches 50% of its registered capital. The quantum of the annual transfer is subject to the approval of the board of directors of the PRC subsidiaries and jointly-controlled entities in accordance with their articles of association.

During the year, a PRC subsidiary transferred approximately RMB4.26 million (HK\$4 million), which represented 50% of its registered capital, to the general reserve.

Company

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Arising on Group reorganisation	—	448,209	—	448,209
Issue of shares	27,660	—	—	27,660
Loss for the year	—	—	(2,126)	(2,126)
	<u>27,660</u>	<u>448,209</u>	<u>(2,126)</u>	<u>473,743</u>

The contributed surplus of the Company represents the excess of the fair value of the shares of FHK acquired pursuant to the Group reorganisation over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of contributed surplus in certain circumstances.

Notes To Financial Statements

31 December 2000

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit/(loss) from operating activities to net cash outflow from operating activities

	2000 HK\$'000	1999 HK\$'000
Profit/(loss) from operating activities	193,739	(218,501)
Interest income	(6,819)	(4,412)
Gain on disposal of subsidiaries	(79,116)	—
Gain on deemed disposal of a subsidiary	(62,680)	—
Gain on partial disposal of a subsidiary	(3,452)	—
Loss on disposal of branch operations	8,249	—
Loss on disposal of a jointly-controlled entity	3,398	—
Depreciation	18,675	41,676
Loss/(gain) on disposal of fixed assets	(6,145)	4,785
Revaluation deficits of land and buildings	2,582	10,978
Revaluation deficits of investment properties	2,280	5,440
Amortisation of deferred development costs	—	3,343
Write off of deferred development costs	—	2,162
Provision for diminution in value of a long term investment	5,626	—
Decrease in tax recoverable	367	—
Increase in inventories	(102,368)	(19,838)
Decrease/(increase) in trade receivables	(46,963)	13,315
Decrease/(increase) in prepayments	(47,033)	17,071
Decrease/(increase) in deposits and other debtors	(48,034)	10,207
Increase/(decrease) in trade payables	106,377	(4,863)
Increase in accruals	32,885	15,851
Increase/(decrease) in other liabilities	58,628	(13,951)
Increase/(decrease) in trading receipts in advance	(49,807)	82,655
Decrease in trust receipt loans	(8,191)	(108,101)
Exchange differences	(837)	637
Net cash outflow from operating activities	(28,639)	(161,546)

Notes To Financial Statements

31 December 2000

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Analysis of changes in financing during the year

	Share capital (including share premium) <i>HK\$'000</i>	Bank loans (with maturity of over 3 months) <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>
Balance at 1 January 1999	586,140	13,336	—
Cash inflow from financing activities, net	71,698	140,182	2,683
Issue of ordinary shares for acquisition of a subsidiary	320,000	—	—
Share of losses after tax of subsidiaries	—	—	(259)
Exchange differences	—	626	—
Balance at 31 December 1999 and beginning of year	977,838	154,144	2,424
Cash inflow/(outflow) from financing activities, net	29,296	(7,804)	96,249
Interests acquired by minority interests	—	—	881
Share of losses after tax of subsidiaries	—	—	(2,701)
Share of exchange reserve of subsidiaries	—	—	(161)
Deemed disposal of a subsidiary	—	—	(62,680)
Disposal of subsidiaries	—	—	(4,390)
Transfer to contributed surplus	(867,094)	—	—
Exchange differences	—	(190)	—
Balance at 31 December 2000	140,040	146,150	29,622

Notes To Financial Statements

31 December 2000

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(c) Acquisition of a subsidiary

	1999 HK\$'000
Net assets acquired:	
Cash and bank balances	35,240
Goodwill on acquisition	284,760
	<u>320,000</u>
Satisfied by:	
Issue of shares	<u>320,000</u>

Analysis of the net inflow of cash and cash equivalents in respect of the acquisition of the subsidiary:

	1999 HK\$'000
Cash consideration	—
Cash and bank balances acquired	<u>35,240</u>
Net inflow of cash and cash equivalents	
in respect of the acquisition of a subsidiary	<u>35,240</u>

The subsidiary acquired in 1999 contributed approximately HK\$89,284,000 to turnover and approximately a profit of HK\$9,262,000 to the consolidated loss after tax for the year ended 31 December 1999.

In respect of cash flows, the subsidiary acquired in 1999 paid approximately HK\$9,618,000 to the Group's net operating cash flows, contributed approximately HK\$48,000 to the net returns on investments and servicing of finance, paid approximately HK\$11,101,000 in respect of the net investing activities, and contributed approximately HK\$35,243,000 to financing activities, but had no significant impact in respect of tax.

Notes To Financial Statements

31 December 2000

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(d) Disposal of subsidiaries

	2000 HK\$'000
Net assets disposed of:	
Fixed assets	6,920
Interests in associates	10,839
Cash and bank balances	31,223
Trade receivables	261
Inventories	552
Prepayments and other receivables	5,013
Accounts payable and other accrued liabilities	(44,852)
Minority interests	(4,390)
	<hr/> 5,566
Gain on disposal	<hr/> 79,116
	<hr/> 84,682 <hr/>
Satisfied by:	
Cash	210
Shares	84,472
	<hr/> 84,682 <hr/>

Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	2000 HK\$'000
Cash consideration	210
Cash and bank balances disposed of	(31,223)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<hr/> (31,013) <hr/>

The subsidiaries disposed of in 2000 contributed approximately HK\$3,953,000 to the turnover and approximately HK\$11,605,000 loss to the consolidated profit after tax for the year ended 31 December 2000.

In respect of cash flows, the subsidiaries disposed of in 2000 contributed approximately HK\$15,237,000 to the Group's net operating cash flow, contributed approximately HK\$10,271,000 in respect of net returns on investments and servicing of finance, paid approximately HK\$16,864,000 for investing activities, contributed approximately HK\$22,255,000 in respect of financing activities and had no significant impact in respect of tax.

Notes To Financial Statements

31 December 2000

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(e) Disposal of branch operations

	2000 HK\$'000
Net assets disposed of:	
Fixed assets	1,341
Cash and bank balances	3,105
Trade receivables	11,671
Inventories	1,753
Prepayments and other receivables	1,718
Accounts payable and other accrued liabilities	(2,255)
	<u>17,333</u>
Loss on disposal of branch operations	<u>(8,249)</u>
	<u><u>9,084</u></u>
Satisfied by:	
Cash	<u><u>9,084</u></u>

Analysis of the net inflow of cash and cash equivalents in respect of the disposal of branch operations:

	2000 HK\$'000
Cash consideration	9,084
Cash and bank balances disposed of	<u>(3,105)</u>
Net inflow of cash and cash equivalents in respect of the disposal of branch operations	<u><u>5,979</u></u>

The branch operations disposed of in 2000 had no significant impact on the cash flows, the turnover and the consolidated profit after tax for the year ended 31 December 2000.

Notes To Financial Statements

31 December 2000

30. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Company
	2000
	HK\$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	42,000

As at 31 December 2000, the guarantees given to banks in connection with facilities granted to subsidiaries by the Company were fully utilised.

31. COMMITMENTS

Commitments under operating leases

At 31 December 2000, the Group had commitments under non-cancellable operating leases to make payments in the following year as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Land and buildings expiring:		
Within one year	2,424	3,434
In the second to fifth years, inclusive	4,229	6,954
After five years	14,142	15,377
	20,795	25,765

Save as disclosed above, at the balance sheet date, the Company and the Group had no other significant commitments.

Notes To Financial Statements

31 December 2000

32. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the year:

		Group	
		2000	1999
	<i>Notes</i>	HK\$'000	HK\$'000
Rental expenses paid to Peking Founder	(i)	14,142	14,088
Research and development fees paid to Peking Founder	(i)	—	4,039
Sales of stocks to a jointly-controlled entity	(ii)	—	5,824
Sales of stocks to associates	(ii)	48,402	—
Purchases of stocks from a jointly-controlled entity	(iii)	—	8,739
Bank guarantee given by Peking Founder	(iv)	141,420	140,785

Notes:

- (i) The expenses were paid in accordance with the terms of the agreements governing such transactions.
- (ii) The sales of stocks were made according to the published prices and conditions similar to those offered to other customers of the Group.
- (iii) The directors consider that the purchases of stocks were made according to the published prices and conditions similar to those offered to other customers of the supplier.
- (iv) The guarantee is given to PRC banks for the loans granted to a subsidiary.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 24 April 2001.

Particulars Of Investment Properties

31 December 2000

Location	Use	Lease term
Units 1, 2a, 2b, 3a, 3b, 4a and 4b on 14th Floor Cable TV Tower 9 Hoi Shing Road Tsuen Wan New Territories Hong Kong	Office premises/warehouse for rental	Medium term lease
Residential car parking space No. 324 on Podium Level 2 Rhine Garden 38 Castle Peak Road Sham Tseng New Territories Hong Kong	Car parking space for rental	Medium term lease
Flat B, 29th Floor Block 3 Locwood Court Kingswood Villas 1 Tin Wu Road Tin Shui Wai Yuen Long New Territories Hong Kong	Residential premises for rental	Medium term lease
Flat B, 8th Floor Block 2, and car parking space No. 60 on level 1 Dragon Inn Court 9 Tsing Ha Lane Tuen Mun New Territories Hong Kong	Residential premises and car parking space for rental	Medium term lease
Flat D, 12th Floor Block 2 Belvedere Garden Phase 2 620 Castle Peak Road Tsuen Wan New Territories Hong Kong	Residential premises for rental	Medium term lease

Five Year Financial Summary

31 December 2000

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 and adjusted for the group reorganisation, is set out below.

RESULTS

	Year ended 31 December				
	2000	1999	1998	1997	1996
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	2,087,853	1,583,073	2,164,248	1,973,409	1,483,351
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	184,674	(228,053)	(162,385)	142,534	126,934
Share of profits and losses of:					
Jointly-controlled entities	1,445	5,602	(3,265)	—	—
Associates	(6,499)	—	—	—	—
PROFIT/(LOSS) BEFORE TAX	179,620	(222,451)	(165,650)	142,534	126,934
Tax	(1,315)	(879)	(46)	757	(131)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	178,305	(223,330)	(165,696)	143,291	126,803
Minority interests	2,701	259	—	—	—
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	181,006	(223,071)	(165,696)	143,291	126,803

ASSETS AND LIABILITIES

	31 December 2000	31 December 1999	31 December 1998	31 December 1997	31 December 1996
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TOTAL ASSETS	1,484,113	1,159,484	1,163,392	1,362,704	1,241,511
TOTAL LIABILITIES	(686,046)	(599,213)	(490,736)	(551,953)	(527,889)
MINORITY INTERESTS	(29,622)	(2,424)	—	—	—
NET ASSETS	768,445	557,847	672,656	810,751	713,622