



FOUNDER HOLDINGS LIMITED

方正控股有限公司

PRESS RELEASE

TURN AROUND FROM LOSS TO PROFIT IN FINAL RESULTS

(Hong Kong – 2 April 2004) Founder Holdings Limited (the “Company” or the “Group”) (stock code: 0418), a leading software developer and systems integration provider, today announced its final results for the year ended 31 December 2003. The Group’s audited consolidated profit after tax and minority interests for the year ended 31 December 2003 amounted to HK\$7,215,000 (2002: loss of HK\$275,844,000). The Group recorded a moderate increase in turnover during the year by approximately 8% to HK\$1,553.8 million (2002:HK\$1,442.0 million). The gross profit percentage maintained at approximately 17.8%. The cost control measures implemented in early 2003 further reduced the selling and distribution costs and administrative expenses of the Group by approximately 7% and 3% respectively if compared to 2002.

Impairment of goodwill was substantially reduced from HK\$189.1 million in 2002 to HK\$2.5 million in 2003. As a result of business restructuring, the electronic products business was disposed of in September 2003, thus resulting into a non-recurring loss on disposal of HK\$13.3 and an impairment of fixed assets of HK\$3.8 million. If those exceptional losses were excluded, the Group would record a profit from operating activities of HK\$12.9 million rather than a loss of HK\$6.6 million.

Basic earnings per share for the year was HK\$0.6 cents (2002: loss of HK24.5 cents). The Board of Directors of the Company did not recommend the payment of any final dividend.

In 2003, the Group has implemented a series of actions to improve its operations. More effort and resources were devoted to new product development and new market exploration. Loss making or low margin businesses have been scaled down or terminated. Resources were re-allocated in order to enhance the Group’ s competitiveness and productivity. Despite the harsh business environment caused by

the outbreak of SARS in the first half of 2003, the Group still achieved a satisfactory improvement in its performance and all its three major business segments recorded segmental profit for the year.

(A) Software development and systems integration for media sector

The turnover of the software development and systems integration business for the media sector for the current year maintained at HK\$571.9 million (2002: HK\$573.9 million) while its segment results significantly improved to a profit of HK\$23.9 million (2002: HK\$6.7 million).

The Group's flagship subsidiary, Beijing Founder Electronics Co., Ltd. was ranked as one of five most competitive PRC software enterprises in 2003. In November 2003, the Group's Founder Apabi Digital Rights Management System has won the Award of Significant Technology and Invention (重大技術發明獎) from the Ministry of Information Industry. The Group has continued to strengthen the promotion campaign of its network publishing total solutions, Founder Apabi e-Book Solutions, in the PRC and to devote to its research and development activities for its traditional digital publishing and commercial printing business.

For overseas market, the Group had completed the development and installation of the publishing systems for Nikkan Sports Printing Co., Ltd. in Japan and Singapore Press Holdings Limited in Singapore in 2003. Sales for its publishing solutions to western countries have also grown satisfactory in the recent years and annual sales exceeded US\$1 million in 2003.

In the past few years, to respond to the rapid development of internet and e-business, the Group has devoted its research and development resources to its E-Media strategy. Other than its traditional digital publishing and commercial printing technologies, the Group now also has its self-developed technologies in the area of digital rights protection, digital asset management and digital printing on-demand. As a leading professional software developer, the Group continues to promote the production and dissemination of digital information in the field of multi-media and trans-media.

(B) Software development and systems integration for non-media sector

The turnover of the software development and systems integration business in the non-media sector for the year decreased by 42% to HK\$175.8 million (2002: HK\$302.1 million) while its segment results resumed a profit of HK\$2.5 million (2002: loss of HK\$8.4 million).

Market competition in the systems integration business for the banking and security industries in the PRC was still severe during the year, turnover for the year was lower than expected. Other than its traditional sales in the banking and security sectors, the Group has also achieved satisfactory growth in sales in the government sector in the area of taxation, postal and security. The Group has further streamlined its operational team and tightened the control over operating expenses, thus improving its operational efficiency to face the keen market competition. Equipped with the Class One Computer Information Systems Integrator (一級計算機信息系統集成資質) status from the Ministry of Information Industry and the Gold Certified Partner (金牌認證伙伴) status with Cisco Systems, the Group is confident to gain more contracts from networking information system projects in the coming years.

(C) Distribution of information products

The Group's substantial restructuring and reengineering exercise in 2002 laid a solid foundation for the future development of its distribution business of information products. The turnover of the distribution business of information products for the year increased by 47% to HK\$756.8 million (2002: HK\$514.6 million) while its segmental results for the year recorded a profit of HK\$6.9 million (2002: loss of HK\$20.7 million).

The distribution business has gained its ranking from the 11th place in 2002 to the 7th place in 2003 among the top 100 distributors of information products in the PRC. Besides the headquarters in Beijing, the Group has established branch offices in Shanghai, Guangzhou and Chengdu and various representative offices in a number of cities in the PRC.

The internal demand for IT products in the PRC will remain strong as the PRC's gross domestic products is expected to continue to increase at an annual growth rate of approximately 7% to 8% for the next ten years. In addition, after PRC's accession into the World Trade Organisation and the running up of the Olympic Games of 2008 in Beijing, it is expected that the PRC IT industry will achieve a double digit compound annual growth rate over the next five years. In 2004, the Group has planned to expand its distribution network by establishing more offices throughout the PRC in order to capture the considerable development potential in the IT industry in the future.

The Chairman and President of the Company, Mr Cheung Shuen Lung concluded, "The Board of Directors of the Company was very encouraging for the turn around from loss to profit in 2003. However, the management of the Company still not satisfies with the present profit figure. Besides the encouraging results reflected by

figures, the Group also adopts a number of policies to improve the Group's technology, products and businesses. The Board of Directors believes that these policies will ensure the Group to maintain its growth in the coming years and provide satisfactory investment return for the Company's shareholders. "

This press release and other corporate information can also be found at www.founder.com.hk or www.irasia.com/listco/hk/founder/index.htm.

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FOUNDER HOLDINGS LIMITED
AUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2003

	2003 HK\$'000	2002 HK\$'000 (Restated)
TURNOVER	1,553,796	1,442,015
Cost of sales	<u>(1,276,880)</u>	<u>(1,184,551)</u>
Gross profit	276,916	257,464
Other revenue and gains	61,851	44,752
Selling and distribution costs	(161,552)	(174,160)
Administrative expenses	(128,564)	(132,674)
Other operating expenses, net	(35,704)	(63,019)
Impairment of fixed assets	(3,777)	0
Impairment of goodwill	(2,528)	(189,070)
Loss on disposal of subsidiaries	<u>(13,260)</u>	<u>(560)</u>
LOSS FROM OPERATING ACTIVITIES	(6,618)	(257,267)
Finance costs	(2,071)	(4,607)
Share of profits and losses of:		
Jointly-controlled entity	1,028	1,896
Associates	<u>3,836</u>	<u>(18,485)</u>
LOSS BEFORE TAX	(3,825)	(278,463)
Tax	<u>(3,790)</u>	<u>(2,538)</u>
LOSS BEFORE MINORITY INTERESTS	(7,615)	(281,001)
Minority interests	<u>14,830</u>	<u>5,157</u>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES		
ATTRIBUTABLE TO SHAREHOLDERS	<u>7,215</u>	<u>(275,844)</u>
PROFIT/(LOSS) PER SHARE		
- Basic	<u>0.6 cents</u>	<u>(24.5) cents</u>