



EC-FOUNDER (HOLDINGS) COMPANY LIMITED

方正數碼(控股)有限公司*

(Incorporated in Bermuda with limited liability)

(Formerly known as Management Investment & Technology (Holdings) Limited)
Web sites : www.ecfounder.com www.irasia.com/listco/hk/ecfounder

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2000

HIGHLIGHTS FOR THE YEAR

- Successfully acquired the e-Commerce business from the group of Founder Holdings Limited (the "Founder Group") and becomes the e-Commerce business flagship of Founder Group
- Gain top class strategic shareholders - Founder, Yahoo! and SuneVision
- Change name from Management Investment & Technology (Holdings) Limited to EC-Founder (Holdings) Company Limited
- Re-position as "e-Commerce Enabler" to provide e-Commerce solution for Government and enterprises
- Focus on the Asia/PAC market and achieved approximately 23% increase in turnover
- Net assets increased by 35% to approximately HK\$253 million

AUDITED RESULTS

The Board of Directors (the "Directors") of EC-Founder (Holdings) Company Limited (the "Company" or "EC-Founder") announces the audited consolidated results of the Company and its subsidiaries (the "Group" or "EC-Founder Group") for the year ended 31 December 2000, together with the comparative figures for the corresponding period of last year as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Year ended 31 December	
		2000 HK\$'000	1999 HK\$'000
TURNOVER	1	258,664	314,296
Cost of sales		(231,194)	(280,115)
Gross Profit		27,470	34,181
Other revenue	2	6,735	22,161
Selling expenses		(17,678)	(2,392)
Administrative expenses		(48,342)	(35,949)
Other operating expenses		(13,708)	(8,022)
PROFIT / (LOSS) FROM OPERATING ACTIVITIES	3	(45,523)	9,979
Finance costs	4	(7,411)	(6,237)
Share of profits less losses of:			
Jointly-controlled entities		14,014	14,830
Associates		2,159	(1)
PROFIT / (LOSS) BEFORE TAX		(36,761)	18,571
Tax	5	(3,075)	(531)
PROFIT / (LOSS) BEFORE MINORITY INTERESTS		(39,836)	18,040
Minority interests		(5)	—
NET PROFIT / (LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(39,841)	18,040
EARNINGS / (LOSS) PER SHARE	6		
— Basic		(11.57 cents)	10.16 cents
— Diluted		N/A	10.08 cents

Notes:

1. Turnover

(a) The analysis of turnover by activities are summarised as follows:

	Year ended 31 December		Contribution to profit/(loss)	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Provision of software solution and e-Commerce services	10,072	—	(20,446)	—
Manufacture and sale of electronics products	248,592	314,296	(25,077)	9,979
	258,664	314,296	(45,523)	9,979

(b) The analysis of turnover by geographical area are summarised as follows:

	Year ended 31 December		Contribution to profit/(loss)	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
The People's Republic of China (the "PRC")	48,272	60,687	(9,463)	17,607
Hong Kong	51,667	29,423	(25,444)	(1,111)
Elsewhere	44,107	26,531	(4,193)	(1,757)
Asia	26,437	29,780	(1,909)	(994)
United Kingdom	87,291	159,910	(5,260)	(3,252)
United States of America ("USA")	890	7,965	746	(514)
Others	258,664	314,296	(45,523)	9,979

2. Other Revenue

An analysis of other revenue is as follows:

	Year ended 31 December	
	2000 HK\$'000	1999 HK\$'000
Rental income	421	743
Interest income	3,218	2,093
Other revenue (note (a) and (b))	1,446	19,325
Others	1,650	—
	6,735	22,161

(a) Pursuant to the Management Agreement entered by the Company with Ricwincio dated 17 May 2000, Ricwincio agreed to pay a guaranteed amount of HK\$1,446,000 to the Group for the period from 1 October 2000 to 31 December 2000 during which the profit guarantee is effective. For the year ended 31 December 2000, the Group recognised the profit guarantee amount of HK\$1,446,000 payable by Ricwincio in the accounts.

(b) The 1999 amount represented the bonus receivable by the Group according to the agreement which was entered by the Company in 1996.

3. Profit/(loss) from operating activities

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

	Year ended 31 December	
	2000 HK\$'000	1999 HK\$'000
Depreciation:		
Owned fixed assets	10,641	8,558
Leased fixed assets	2,722	2,339
Less: depreciation capitalised as deferred expenditure	—	(520)
	13,363	10,377
Amortisation and write-off of deferred development costs	637	835

4. Finance costs

	Year ended 31 December	
	2000 HK\$'000	1999 HK\$'000
Interest on bank loans and overdrafts	4,846	3,259
Interest on other loans wholly repayable within five years	1,406	2,153
Interest on finance leases	1,159	825
Total finance costs	7,411	6,237

5. Tax

	Year ended 31 December	
	2000 HK\$'000	1999 HK\$'000
Group:		
Overseas tax credit	—	148
Share of tax attributable to:		
Jointly-controlled entities	(2,359)	(679)
Associates	(716)	—
Tax charge for the year	(3,075)	(531)

No provision for Hong Kong or overseas tax has been made for the Company and its subsidiaries as they either have no assessable profits or have available tax losses brought forward from prior years to offset against current year estimated assessable profits.

Tax on profits assessable elsewhere have been calculated at the 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)

6. Earnings / (loss) per share

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK\$39,841,000 (1999: profit of HK\$18,040,000) and the weighted average of 344,219,000 (1999: 177,602,000) ordinary shares in issue during the year.

The diluted loss per share for the year ended 31 December 2000 has not been shown as the impact of the outstanding share options was anti-dilutive.

The calculation of diluted earnings per share in 1999 is based on the net profit attributable to shareholders for the year of HK\$18,040,000. The weighted average number of ordinary shares used in the calculation is 177,602,000 ordinary shares in issue during 1999, as used in the basic earnings per share calculation and the weighted average of 1,326,000 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during 1999.

DIVIDEND

No interim dividend was paid during the year. The Directors do not recommend the payment of any final dividend for the year (1999 : Nil)

REVIEW OF OPERATIONS

Major transaction

As disclosed in the circular dated 9 September 2000 (the "Circular") of the Company, the Company entered into several agreements among which included the disposal of Lighting Products businesses to one of the shareholders and the acquisition of the e-Commerce businesses from Founder Group. The transactions have been successfully completed and the Group has now re-positioned itself as the "e-Commerce Enabler". Not only the Group has transformed into the e-business flagship of Founder Group in the e-Commerce industry, it has also gained several renowned shareholders who process world-class reputation in their special field of industry - such as Yahoo! and SuneVision.

Financial Review

For the year ended 31 December 2000, the turnover of the Group was approximately HK\$259 million, a decrease of approximately 17.7% from last year. The major reason of decrease in turnover was due to the cessation of low value added services of the "passing through" trading of lighting products which amounted to approximately HK\$91 million in 1999. Nevertheless, there was an increase in turnover of approximately 11.2%, which amounted to approximately HK\$249 million, in the sales of electronics product. Such increase was mainly derived from the increase in sales in semi-conductor products. In addition, the new e-Commerce business contributes a total of approximately HK\$10 million in turnover for the results in 2000.

The gross profit margin of the sales of electronics products has suffered from the higher production cost. However, the contributions generated from the high profit margin e-Commerce sector have brought back the Group's overall gross profit margin to approximately 10.6%, which remained stable as compared to 10.9% in 1999.

The decrease in results from operating activities was also affected by the decrease in other revenue and increase in expenses. The decrease in other revenue was mainly due to the non-recurring exceptional bonus income in 1999 which amounted to approximately HK\$19 million. The increase in expenses was due to the increase in operating expenses of the traditional business and the inclusion of e-Commerce business in 2000.

Sales of software and provision of e-Commerce services

In the era of e-business and internet world, the Company decided to diversify from its traditional business into the e-Commerce business. Despite the unexpected downturn of internet businesses, the Group has recorded a turnover of approximately HK\$10 million during the last quarter of 2000. The gross profit margin of this sector was approximately 38% which is significantly higher than the traditional manufacture and sale of electronic products business of an average of 8% to 15%.

During the period under review, the new business sector mainly includes the following business:

- Provision of software solution
 - distribution of Mapinfo software solution in Greater China
 - develop own brand software products for system security - FireGate
 - develop own brand software products for geographical information systems
- Provision of internet advertising agency services
 - Exclusive advertising agency of one of the world's leading internet portal - Yahoo! in the PRC
- Provision of e-Commerce solution
- Provision of web management

Manufacture and sale of electronics products

For the year ended 31 December 2000, the turnover in this sector decreased by approximately HK\$65 million compared to 1999, to approximately HK\$249 million.

An approximately HK\$91 million turnover generated from the "passing through" trading of lighting products to the United States of America was included in 1999. Since this low value added service contributed a merely gross profit margin of around 1.4%, the Group has delegated its resources to other high margin activities.

Excluding the above factor, on the other hand, the turnover generated from manufacturing and sale of electronics products has actually increased by approximately 11%, i.e. approximately HK\$249 million in 2000. The increase was mainly came from improvement of sales in Singapore for semi-conductor products due to the successful negotiation with the supplier to increase and secured the punctual supply of quality raw material of production.

The gross profit margin in this sector was lower than last year mainly due to the cost of fuel oil (for the generation of electricity for production) and the cost of plastic (which formed a substantial part of production for weighting scale) have both increased in 2000.

FUTURE PROSPECTS

Manufacture and sale of electronics products

In order to increase the sales volume in semi-conductor products, the Company has decided to set up a joint-venture in Singapore with Nishio Iwai, one of the major supplier of diodes in the semi-conductor business. When the supply of diodes is firmly secured, the production capacity can be increased to 3 times of the existing scale. Hence, the management have full confidence that the expansion in operation can increase its contribution in this business sector for the future.

Provision of software solution and e-Commerce services

The focus of the Group's e-Commerce sector in the forthcoming year will be summarised as follows:

1. Security Products and Solutions
2. Enterprise Information Solutions
3. Location Based Business Intelligence
4. e-Finance

Security Products and Solutions

Alongside with the rapid development of Information Technology industry in the PRC, information security industry will become the major and high growth sector in the future. In 2000, it was estimated that approximately 10% of network products related to information security products, which represented a market size of approximately RMB 5 billion.

EC-Founder was appointed by the Beijing 2008 Olympic Bidding Committee to construct its official website and the Company had applied its innovative technology in the development of the website's network security.

On the other hand, EC-Founder is pleased to announce its success as the first company to obtain the highest level of firewall technology certificate which was granted by the PRC Public Security Bureau.

The Company has also successfully developed and launched its security products - FireGate in March 2001. The provision of software solution and services will be carried out through Founder's nation-wide distribution network. On the other hand, the Company has set up a unique "Tornado" environment to carry out various experiments and testing of the security systems.

These impressive results have proved the possession of sound and solid technical abilities by the research team of EC-Founder. Following the launch of FireGate, EC-Founder will join as one of the leaders in the field of information security system and target to rank as the top three security products supplier in the PRC by the end of this year.

Enterprise Information Solutions

In 2000, the Company conducted an in-depth research with over 100 PRC enterprises (mainly in the Pearl River Delta area) which were in the process of computerization. The results indicated that these enterprises have strong demands for better solutions which can improve the progress of computerization. Hence, the Company launched a new concept at the beginning of 2001 known as Enterprise Application Portal ("EAP") and Government Application Portal ("GAP") which provided a better alternative solution for the PRC enterprises who are in the process of computerization. The flexibility to adopt EAP / GAP at any stage of environment provides more freedom to enterprise / Government to choose the progress of computerization compared to the existing ERP system.

The applications of EAP have been adopted by Beijing Founder Electronics Company Limited - one of the top 5 information technology products distributors as well as one of the major subsidiary company of Founder - in the network system - "Netdealer.com". A Hong Kong based company with over 500 distributors which trades mobile phones and communication products had also applied the Company's EAP product in its e-Commerce system.

In March 2001, the Company held an exhibition in Shenzhen to introduce the Company's EAP / GAP products. With an overwhelming support of attendance of approximately 80 famous enterprises which indicates their interests in the product during the exhibition, it has paved a positive route for the future development of its Enterprise Information Solutions.

Location Based Business Intelligence

The application of Geographic Information System ("GIS") is one of the major development areas in the tenth 5-years plan by the PRC Government. EC-Founder has developed and launched its own GIS products in March 2001 - Founder Mirage v5.0 series (including the standard version, professional version, geographical information version, operation version and map accessories). Founder Mirage products series will set a solid foundation to become competitive products in the GIS market.

The Company is licensed as the exclusive distributor of Mapinfo products which provides Location Based Business Application that can be applied in a wide range of areas including: logistics systems, management of enterprises' information system, asset management for utilities (such as water, natural gas and electricity). Following to the successful cases of application of Mapinfo products such as: the field service dispatch system of "Little Red Hat", the logistic system of Coca-cola and the planning and management of data-line system of Shanghai Telecom; these applications have gained tremendous attentions from enterprises during the recent China International e-Commerce exhibition.

Location Based Services ("LBS") platform technology for mobile internet applications and services is also a focus segment for EC-Founder. The leading technology platform will be launched in the second half of 2001 and the major customers will be mobile operators such as China Mobile and mobile value-added services providers.

e-Finance

In order to provide system solution for the finance industry, a new e-finance department was set up in the beginning of 2001. With the strong technical background and the fame to provide excellent services, the Company has gained two contracts from the China Construction Bank to provide services in the setting up of a B2B e-Finance platform for its major customer service system. As a first phase project, this internet based platform will enable the bank to provide real-time fund transfers services and to provide transaction clearance services to its stock broking customers such as 銀河證券 - 山東證券 . On the other hand, the platform can assist the bank to extend its banking services to integrate into the enterprises' business. The award of such contracts provides a brilliant start and confident to this new team to increase its contribution to the Group in the coming year.

Conclusion

The Group will continue to develop the well established electronic products business as well as to focus on the four major business directions:

- to become the largest supplier of information security products and solutions in the PRC
- to enhance applications of enterprise information solution to the PRC enterprises
- to develop spatial solution as core intelligence strategic solution
- to develop B2B e-Finance technology and applications

With the full support from Founder Group and the solid technology foundation of the Group, the Directors have full confidence that the Group will succeed in its aim to position as the "e-Commerce Enabler" and becoming the leading software solution and services provider to government, industries, enterprises and e-Commerce operators in the new internet era.

LIQUIDITY AND FINANCIAL RESOURCES

Net Assets

As at 31 December 2000, the Group recorded total assets of approximately HK\$426 million which were financed by liabilities of approximately HK\$173 million and equity of approximately HK\$253 million. The Group's net asset value as at 31 December 2000 increased by approximately 35% to approximately HK\$253 million as compared to approximately HK\$187 million as at 31 December 1999.

Liquidity

The Group had total cash and bank balances of approximately HK\$98 million as at 31 December 2000 (1999: approximately HK\$28 million). After deducting bank loans and overdrafts of approximately HK\$42 million (1999: approximately HK\$44 million), the Group recorded a net cash balance of approximately HK\$56 million as compared to net deficit of approximately HK\$16 million as at 31 December 1999. As at 31 December 2000, the Group had both improved the working capital to the ratio of 1.68 (1999: 1.19) and a long term debt to equity ratio of 0.018 (1999: 0.035) with equity being defined as the total of capital and reserves.

Charges on assets

At 31 December 2000 certain land and buildings in the PRC and overseas of the Group and fixed deposits of approximately HK\$12 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 approximately HK\$47 million.

EMPLOYEE AND REMUNERATION POLICIES

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 Group 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.

CHANGE OF AUDITORS

Ernst & Young were appointed as the Company's auditors from the Company's incorporation and resigned on 4 October 1999. On 1 November 1999, PricewaterhouseCoopers were appointed as auditors to fill the casual vacancy. On 30 November 2000, PricewaterhouseCoopers resigned as auditors of the Company and Ernst & Young were appointed by the Directors as auditors to fill the casual vacancy so arising. A resolution for reappointment of Ernst & Young as auditors of the Company will be proposed at the forthcoming annual general meeting.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

COMPLIANCE WITH THE 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 Rules Governing the Listing of Securities ("the Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the accounting period 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 provisions of 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 period covered by the annual report.

DETAILED RESULTS ANNOUNCEMENT

A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules of the Stock Exchange will be subsequently published on the Stock Exchange's web site in due course.

APPRECIATION

I would like to express my sincere thanks and appreciation to all my colleagues and all the staff for their loyalty and full support to the Group during the year and looking forwarding to a more prosperous future in the forthcoming year.

By Order of the Board

Lei Hon Sang

President and Executive Director

Hong Kong, 24 April 2001

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of EC-Founder (Holdings) Company Limited will be held at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong on Thursday, 31 May 2001 at 10:00 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 Directors and authorise the Board of Directors to fix their remuneration.
3. To re-appoint Auditors and authorise the Board of Directors to fix their remuneration.
4. As special businesses, to consider and, if thought fit, passing 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."

(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, other 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."
- (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 4(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 4(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, Yonne

Secretary

Hong Kong, 24 April 2001

Notes:

- (1) Any member entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend instead of him. A member who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a shareholder of the Company.
- (2) To be valid, the instrument appointing a proxy, together with the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of such power or authority) must be deposited at the Company's head office and principal place of business in Hong Kong at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, Hong Kong not less than 48 hours before the time for holding the meeting or any adjourned meeting (as the case may be). Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting or at 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. 4(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.