



EC-FOUNDER (HOLDINGS) COMPANY LIMITED

方正數碼(控股)有限公司*

(Incorporated in Bermuda with limited liability)

Web sites: www.ecfounder.com www.irasia.com/listco/hk/ecfounder

[For immediate release]

**EC-Founder Announces 2003 Final Results
Loss Narrowed by 73% to HK\$22.8 million**

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(Hong Kong, 2 April 2004) EC-Founder (Holdings) Company Limited (“EC-Founder”, or the “Group”) (stock code: 0618), a leading PRC information technology company, today announced its final results for the year ended 31 December 2003.

For the year under review, the turnover increased substantially by 100% to HK\$625.0 million (2002: HK\$311.9 million), the net loss attributable to shareholders of EC-Founder was substantially narrowed by 73% as compared to last period to HK\$22.8 million (2002: loss of HK\$86.0 million) and the loss per share was HK 2.4 cents (2002: loss HK 10.5 cents). The Board of Directors does not recommend the payment of final dividend.

The substantial improvement of the Group’s result for the year was mainly due to:

- (a) complete the acquisition of distribution of information products business in July 2003 and recorded turnover of HK\$444.6 million and segmental profit of HK\$5.4 million in the second half year of 2003;
- (b) streamline the department structure by closing down loss making department and reduce headcount by 16% of software business and hence reduce segmental loss by 77% to HK\$6.8 million in 2003 (2002: loss of HK\$30.2 million); and
- (c) no impairment of goodwill in 2003 (2002: HK\$36.5 million).

As a result, the loss before tax for continuing operations of the Group for the year ended 31 December 2003 was only HK\$2.4 million, which was substantially 96% less than the loss of HK\$68.6 million in 2002.

On the other hand, the loss for 2003 was mainly due to the discontinued operations – Electronic products business – which was disposed in September 2003. Such business recorded loss before tax of HK\$18.5 million. Following to the disposal of Electronic products business, EC-Founder now devoted and focused all its resources to the information technology business: distribution of information products business and software business.

Distribution of Information Products Business

In July 2003, the Group completed the acquisition of distribution of information products business by acquiring the entire interests of Beijing Founder Century Information System Co., Ltd. and Founder Century (Hong Kong) Limited from its controlling shareholder – Founder Holdings Limited. The total fair consideration of HK\$74,720,000 was satisfied by issuing 280,000,000 ordinary shares of the Company and cash consideration of HK\$10,320,000.

The Group recorded the results of distribution business for the first time in the second half year of 2003 and this sector contributed turnover of HK\$444.6 million and segmental profit of HK\$5.4 million to the Group.

The distribution of information products business mainly include distribution of servers, workstations, data storage devices and networking products of various international brand name suppliers such as HP, IBM, 華爲, 3Com, SUN, Netgear and Apple. It has established comprehensive distribution networks in the PRC and advanced its ranking from the 11th place in 2002 to 7th place in 2003 among the top 100 enterprises in the distribution business in the PRC. Due to effective management control on the inventory level and account receivable credit control, the annual result of distribution business has remarkably improved. The annual turnover in 2003 increased by 47% to HK\$756.8 million (2002: HK\$514.6 million) and recorded turnaround segmental profit of HK\$6.9 million (2002: loss of HK\$20.7 million).

Software Business

The software business was still facing fierce competition in the PRC market. The turnover in 2003 decreased by 12% to HK\$62.2 million (2002: HK\$70.8 million). Due to streamline of business structure by closing down loss making department and reduce headcount of 16%, the segmental loss was reduced by 77% to HK\$6.8 million as compared to loss of HK\$30.2 million in 2002.

The software business mainly focused on the provision of system integration services – specialize for financial institutes, selling and distribution of self-developed information security products – Founder FireGate and selling and distribution of other software products such as Geographical Information System. The major clientele includes China Construction Bank, The People's Bank of China, oil & petroleum companies such as PetroChina, telecommunication companies and the PRC Government bureaus such as Military Police bureau, tax bureau and education bureau.

The merger of distribution of information products business and software business is complementary to each other. The software business can now leverage on the strong selling and distribution channels of the distribution business. On the other hand, the distribution business has solid technical support and services from the software business to provide more comprehensive and total solutions to the clients.

After PRC's accession into the World Trade Organisation and running up of the Olympic Games of 2008 to be held in Beijing, it is expected the investments in the information technology sector will grow with a double digit compound annual rate over the next five years. Hence, it is expected EC-Founder can benefit from it and continue to grow with the information technology sector in the future.

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**FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2003**

AUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i> (Restated)
TURNOVER		
Continuing operations	506,835	70,825
Discontinued operations	118,137	241,108
	<u>624,972</u>	<u>311,933</u>
Cost of sales	<u>(568,308)</u>	<u>(258,454)</u>
Gross profit	56,664	53,479
Other revenue and gains	6,503	9,646
Selling and distribution costs	(36,577)	(36,300)
Administrative expenses	(39,435)	(56,104)
Other operating expenses, net	(112)	(6,488)
Impairment of fixed assets	-	(1,226)
Impairment of goodwill	-	(36,500)
Loss on disposal of discontinued operations	<u>(13,260)</u>	<u>(15,079)</u>
LOSS FROM OPERATING ACTIVITIES	(26,217)	(88,572)
Finance costs	(832)	(4,147)
Share of profits of associates	<u>6,224</u>	<u>8,448</u>
LOSS BEFORE TAX		
Continuing operations	(2,371)	(68,588)
Discontinued operations	<u>(18,454)</u>	<u>(15,683)</u>
	(20,825)	(84,271)
Tax	<u>(2,002)</u>	<u>(2,028)</u>
LOSS BEFORE MINORITY INTERESTS	(22,827)	(86,299)
Minority interests	<u>-</u>	<u>335</u>
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<u>(22,827)</u>	<u>(85,964)</u>
LOSS PER SHARE - BASIC	<u>(2.4cents)</u>	<u>(10.5cents)</u>