



FOUNDER HOLDINGS LIMITED

方正控股有限公司

【PRESS RELEASE】

**Loss Narrowed and Performance to Improve;
Founder Restructuring Leads to Brighter Prospects**

(Hong Kong - 24 April 2003) Founder Holdings Limited (“Founder”, or “the Group”) (stock code: 0418), a leading software developer and systems integration provider, today announced its annual results for the year ended 31 December 2002. The net loss attributable to shareholders was narrowed by 29% to approximately HK\$274 million (2001: loss of HK\$384 million), and loss per share was HK 24 cents (2001: HK 34 cents). The Board of Directors does not recommend the payment of a final dividend.

For the year 2002, despite a drop in turnover by 14% to HK\$1,442 million (2001: HK\$1,670 million), the gross profit percentage improved to 17.9% (2001: 5.2%). An impairment of goodwill amounting to HK\$189 million (2001: HK\$30 million) was charged to the profit and loss account in 2002. If the effect of the impairment was excluded, the net loss from normal operations for the year was substantially improved from HK\$354 million in 2001 to HK\$85 million in 2002. The improvement was attributable to various cost control measures and restructuring exercises since the last quarter of 2001. Compared with 2001, significant reductions were achieved in selling and distribution costs and administrative expenses, respectively by 11% and 29%. Following effective workforce streamlining, the headcount of the Group fell by 22% to 1,968 (2001: 2,520). As at 31 December 2002, for the software development and systems integration business, the Group’s total contracts on hand amounted to approximately HK\$241 million (2001: HK\$321 million), with completions expected within this year.

A profit of HK\$6.1 million (2001: loss of HK\$41.0 million) was recorded for the software development and systems integration business in the media sector, with its turnover for the year 2002 increased by 18% to HK\$573.9 million (2001: HK\$487.2 million). In network publishing, nation-wide campaigns were held to promote the applications of Founder Apabi eBook Total Solutions (which include “Apabi Reader”, “Apabi Maker”, “Apabi Writer”, “Apabi Rights Server” and “Apabi Retail Server”). The Group reaped great success in promotional efforts in 2002. To date, the solutions are in use by more than 200 publishers to produce eBooks and more than 200 libraries to manage their e-libraries. In digital publishing and commercial printing, the Group’s traditional

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strength areas, new systems and/or upgraded products have been introduced to clients old and new. Furthermore, the Group has established its leading position in solutions such as broadcasting control systems, news production management systems and digital storage and retrieval systems for television stations in the PRC.

The loss from the software development and systems integration business in the non-media sector was narrowed substantially by 95% to HK\$8.4 million (2001: loss of HK\$172.1 million), with its turnover for the year 2002 increased by 24% to HK\$302.1 million (2001: HK\$243.8 million). The increase in turnover was mainly attributable to the completion of contracts brought forward from previous years. As for contracts gained in 2002, severe market competition in systems integration for banking and security industries in the PRC did lead to drop in profitability for its new contracts. However, further measures taken in management restructuring, workforce streamlining, contract execution and cost control in 2002 have resulted in a further reduction in headcount by 30% and a significant decrease in operating expenses by 48% in that year.

The loss from the distribution business of information products was narrowed substantially by 73% to HK\$20.7 million (2001: HK\$77.3 million). Great efforts have been taken by the management to clear up excessive inventories and to chase up overdue receivables. Comprehensive inventory and credit control systems are now in place and cost reducing and efficient logistic processes have also been established.

As for the Group's major associate, EC-Founder (Holdings) Company Limited ("EC-Founder"), its turnover decreased slightly in 2002 as compared with that of the previous year. However, the name of EC-Founder has been so well recognized in the market that clients for its information security products have scattered all over the PRC. 2002 saw EC-Founder's completion of the "Key Client Service System" project for China Construction Bank. Also completed were a number of geographic information system projects for major PRC petroleum companies, telecom service providers and the PRC government's forest management bureaus.

According to Founder's President and Chairman Mr Alan Cheung, thanks to effective restructuring and streamlining exercises in 2002, the Group now has an able and stable management team and has further improved its overall operational efficiency since 2001. "We are confident that our performance will pick up in the near future", says Mr Cheung.

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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.

FOUNDER HOLDINGS LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 2002

	2002	2001
	HK\$'000	HK\$'000
TURNOVER	1,442,015	1,669,883
Cost of sales	<u>(1,184,551)</u>	<u>(1,583,284)</u>
Gross profit	257,464	86,599
Other revenue and gains	44,752	39,143
Selling and distribution costs	(174,160)	(196,154)
Administrative expenses	(132,674)	(186,397)
Other operating expenses	(63,579)	(65,952)
Impairment of goodwill	<u>(189,070)</u>	<u>(30,295)</u>
LOSS FROM OPERATING ACTIVITIES	(257,267)	(353,056)
Finance costs	(4,607)	(12,104)
Share of profits and losses of:		
Jointly-controlled entity	1,896	1,371
Associates	<u>(18,485)</u>	<u>(27,962)</u>
LOSS BEFORE TAX	(278,463)	(391,751)
Tax	<u>(1,187)</u>	<u>(1,539)</u>
LOSS BEFORE MINORITY INTERESTS	(279,650)	(393,290)
Minority interests	<u>5,157</u>	<u>9,324</u>
NET LOSS FROM ORDINARY ACTIVITIES		
ATTRIBUTABLE TO SHAREHOLDERS	<u>(274,493)</u>	<u>(383,966)</u>
LOSS PER SHARE		
Basic	<u>24.4 cents</u>	<u>34.2 cents</u>
