

# FOUNDER HOLDINGS LIMITED

方正控股有限公司

## PRESS RELEASE

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### GREAT IMPROVEMENT IN PERFORMANCE

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**(Hong Kong – 19 September 2003)** Founder Holdings Limited (“Founder” or the “Group”) (stock code: 0418), a leading software developer and systems integration provider, today announced its interim results for the six months ended 30 June 2003. The net loss attributable to shareholders for the interim period was substantially narrowed by 90% to HK\$5,242,000 (2002: loss of HK\$54,527,000). The basic loss per share for the period was HK 0.5 cents (2002: HK 4.9 cents). The Board of Directors of the Company did not recommend the payment of any interim dividend.

During the first half of 2003, the outbreak of SARS brought an unprecedented negative impact on the business environment of Mainland China, especially in Beijing where the major operating subsidiaries of the Company are situated. The Group’s normal business activities in the second quarter of 2003 were temporary disturbed. Mr Alan Cheung, Founder’s Chairman and President, commented, “Despite the harsh business environment caused by SARS, the Group achieved a satisfactory improvement in performance in the first half of the year.” The Group recorded a drop in turnover during the period by approximately 6% to HK\$620.9 million (2002: HK\$659.0 million). For the two semi-annual periods under review, gross profit percentage maintained at around 19%. Those cost control measures implemented in the first half of 2003 further reduced the selling and distribution costs and administrative expenses by approximately 7% and 17% respectively if compared to the corresponding period in 2002.

The turnover of the software development and systems integration business in the media sector for the period decreased by 14% to HK\$234.1 million (2002: HK\$272.5 million) while its contribution to loss from operating activities for the period recorded a profit of HK\$4.9 million (2002: loss of HK\$1.3 million). The Group has continued to strengthen the promotion campaign of its network publishing total solutions, Founder Apabi e-Book Solutions and to devote to its research and development activities for the Group’s traditional digital publishing and commercial printing business. To capture the business opportunities from the computerization campaign of the PRC government, Founder has also allocated internal resources to explore the e-Government business.

Since sales and marketing activities were disturbed due to the outbreak of SARS in the second quarter of this year, turnover of the software development and systems integration business in the non-media sector in the first half of the year was lower than expected. Turnover for non-media sector decreased by 47% to HK\$70.4 million (2002: HK\$131.6 million) while its loss from operating activities for the period increased by 20% to HK\$5.3 million (2002: HK\$4.3 million). Market competition in the systems integration business for the banking and security industries in the PRC is still severe this year. The Group has already further streamlined its operational team and tightened the control over operating expenses, thus improving its operational efficiency to face the keen market competition.

The turnover of the distribution business of information products for the period increased by 26% to HK\$310.0 million (2002: HK\$245.7 million) while its contribution to loss for the period recorded a profit of HK\$1.5 million (2002: loss of HK\$20.1 million). Mr Cheung said, "Our substantial restructuring and reengineering exercise in the first half of 2002 laid a solid foundation for future development of our distribution business of information products. This year we have planned to expand our distribution network by establishing offices in a number of cities in the PRC."

As at 30 June 2003, the major contracts in hand for the software development and systems integration business amounted to approximately HK\$218 million (31 December 2002: HK\$241million), which are all expected to be completed within one year time.

Mr Cheung concluded, "In the first half of the year, we made a significant improvement in our performance despite the outbreak of SARS. This year is a recovery period for our Group. We are confident that our performance would further improve in the near future."

*This press release and other corporate information can also be found at [www.founder.com.hk](http://www.founder.com.hk) or [www.irasia.com/listco/hk/founder/index.htm](http://www.irasia.com/listco/hk/founder/index.htm).*

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