



# FOUNDER HOLDINGS LIMITED

## 方正控股有限公司\*

(Incorporated in Bermuda with limited liability)

Website: www.founder.com.hk www.irasia.com/listco/hk/founder

### FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2000

#### AUDITED RESULTS

The Board of Directors (the "Board") of Founder Holdings Limited announces the audited results of Founder Holdings Limited and its subsidiaries (together the "Group") for the year ended 31 December 2000 as follows:

	Notes	Year ended 31 December	
		2000 HK\$'000	1999 HK\$'000
<b>TURNOVER</b>	3	2,087,853	1,583,073
Cost of sales		(1,653,433)	(1,382,910)
Gross profit		434,420	200,163
Other income		193,608	6,019
Selling and distribution costs		(178,078)	(132,792)
Administrative expenses		(186,843)	(171,088)
Other operating expenses		(69,368)	(120,803)
<b>PROFIT/(LOSS) FROM OPERATING ACTIVITIES</b>	4	193,739	(218,501)
Finance costs		(9,065)	(9,552)
Share of profits and losses of: Jointly-controlled entities		1,445	5,602
Associates		(6,499)	—
<b>PROFIT/(LOSS) BEFORE TAX</b>		179,620	(222,451)
Tax	5	(1,315)	(879)
<b>PROFIT/(LOSS) BEFORE MINORITY INTERESTS</b>		178,305	(223,330)
Minority interests		2,701	259
<b>NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>		181,006	(223,071)
<b>TRANSFER TO RESERVES</b>	6	66,708	—
<b>EARNINGS/(LOSS) PER SHARE</b>	7		
— Basic		16.2 cents	(23.4) cents
— Diluted		15.9 cents	N/A

#### Notes:

##### 1. Group Reorganisation

The Company was incorporated as an exempted company with limited liability in Bermuda under the Companies Act 1981 of Bermuda (as amended) on 24 September 1999. Pursuant to a scheme of arrangement sanctioned by the High Court of Hong Kong which became effective on 31 March 2000, Founder (Hong Kong) Limited ("FHK") became a wholly owned subsidiary of the Company.

Dealing of the Company's shares on the Stock Exchange of Hong Kong Limited commenced on 31 March 2000 whilst the listing status of FHK was simultaneously withdrawn. Further details of the Group Reorganisation are set out in the scheme document dated 3 January 2000.

##### 2. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2000. The results of subsidiaries established, acquired or disposed of during the year are consolidated from or to their effective dates of establishment, acquisition or disposal, respectively except for the Group Reorganisation which has been accounted for by using merger accounting. In applying the merger accounting, the Company has been treated as the holding company of the Group for both years presented rather than from the effective date of the Group Reorganisation.

In the opinion of the Directors, the consolidated financial statements prepared on the above basis more fairly present the results, and state of affairs of the Group as a whole.

##### 3. Turnover and profit/(loss) from operating activities

Turnover represents the net invoiced value of goods sold, after allowance for returns and trade discounts and the value of services rendered during the year.

An analysis of the Group's turnover and contribution to profit/(loss) from operating activities by principal activity and geographical area of operations for the year ended 31 December 2000 is as follows:

	Year ended 31 December 2000		Year ended 31 December 1999	
	Turnover HK\$'000	Contribution to profit from operating activities HK\$'000	Turnover HK\$'000	Contribution to loss from operating activities HK\$'000
By activity:				
Software development and systems integration	1,492,128	206,983	948,760	(99,209)
Sales of information products	595,725	(13,244)	634,313	(119,292)
	2,087,853	193,739	1,583,073	(218,501)
By geographical area:				
The People's Republic of China (the "PRC"):				
Hong Kong	194,629	(34,944)	248,079	(44,954)
Elsewhere	1,829,998	187,258	1,289,976	(172,057)
Other countries	63,226	41,425	45,018	(1,490)
	2,087,853	193,739	1,583,073	(218,501)

##### 4. Profit/(loss) from operating activities

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

	Year ended 31 December	
	2000 HK\$'000	1999 HK\$'000
Depreciation	18,675	41,676
Loss on disposal of branch operations	3,498	—
Loss on disposal of a jointly-controlled entity	6,249	—
Gain on disposal of subsidiaries	(79,116)	—
Gain on deemed disposal of a subsidiary	(62,680)	—
Gain on partial disposal of a subsidiary	(3,452)	—

\* For identification purpose only

#### 5. Tax

	Year ended 31 December	
	2000 HK\$'000	1999 HK\$'000
Group:		
Outside Hong Kong	1,033	879
Share of tax attributable to associates	282	—
Tax charge for the year	1,315	879

No Hong Kong profits tax has been provided as there were no assessable profits arisen in Hong Kong during the year.

Beijing Founder Electronics Company Limited, a wholly owned PRC subsidiary of the Group, is subject to PRC profits tax 50% of its standard tax rate for the three fiscal years commenced on 1 January 1998 and ended 31 December 2000. Beijing Founder Order Computer System Company Limited, a wholly owned PRC subsidiary of the Group, is exempted from PRC profits tax for the three fiscal years commenced in 1999 and ending on 31 December 2001 and, thereafter, will be taxable at 50% of its standard tax rate in the fourth to sixth years, inclusive. At present, the standard tax rate applicable to the PRC subsidiaries is 15%. No provision for PRC profits tax has been made as the relevant PRC subsidiaries were either under the tax free period or incurred losses during the year.

Taxes on profits assessable elsewhere have been calculated at the applicable 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. Transfer to reserves

In accordance with the relevant PRC regulations, each of the Group's PRC subsidiaries and jointly-controlled entities is required to transfer not less than 10% of its profit after tax, as determined in accordance with PRC accounting standards and regulations, to a general reserve until such reserve reached 50% of its registered capital. The quantum of the annual transfer is subject to the approval of the board of directors of the PRC subsidiaries and jointly-controlled entities in accordance with their articles of association.

The increase in the share of non-distributable reserve of a subsidiary is transferred to the capital reserve of the Group.

#### 7. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the net profit attributable to shareholders for the year of HK\$181,006,000 (1999: loss of HK\$223,071,000) and the weighted average of 1,116,405,000 (1999: 951,275,000) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for the year of HK\$181,006,000. The weighted average number of ordinary shares used in the calculation is 1,116,405,000 ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average of 23,986,000 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

Diluted loss per share for the year ended 31 December 1999 has not been calculated as the impact of the outstanding share options was anti-dilutive.

#### 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).

#### THE OPERATING REVIEW

##### Operating results for the year

Following the successful business restructuring and the implementation of tight internal management control, the Group has resumed its profit making position in the year under review. An analysis of Group's turnover by activity is as follows:

	2000		1999		% of change
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	
Software development and systems integration					
— Media sector	646	633	633	633	2%
— Non-media sector	846	316	316	316	168%
	1,492	949	949	949	57%
Sales of information products	596	634	634	634	(6%)
	2,088	1,583	1,583	1,583	32%

##### (A) Software development and systems integration

###### Media sector

Our core businesses of media sector are still focused on the industries of newspapers, publishing, commercial printing, television and broadcasting. To maintain our market leader position in the Chinese electronic publishing systems ("EPS"), we have introduced a number of new products such as Founder Yuanbo Infobase System (方正源博集采自组系统) (a news data search system), Founder Internet Content Publish Server version 2.0 (方正源字架建设及内容發佈系统) (a universal application tool for the setting up of website and the distribution of information through internet) and Wired Agency Modules (電聯通) during the year under review. In order to cater for the customers' needs as a result of the increasing popularity of the use of internet, our various electronic publishing systems such as Founder Wentao Editorial System (方正文通新聞採編系統), FIT Founder Integrated Typesetting System (方正飛騰集成組版系統) and Founder Jingluo Advertising System (方正經路廣告管理系統) have been upgraded and now can base upon the internet infrastructure using browser interface.

During the year ended 31 December 2000, we have successfully gained several major customers for our EPS business such as Zhuhai Te Qu Bao (珠海特區報), Shanghai Zheng Quan Bao (上海證券報), Hua Shang Bao (華商報) and Wulumuqi Wan Bao (烏魯木齊晚報) in the PRC and Hong Kong Jockey Club in Hong Kong. More than 30 media websites such as Shanghai Online (上海在線), China Youth Online (中青在線) and Beijing Television Station Website (北京電視台網站) have installed Founder Internet Content Publish Server version 2.0. Contracts for Computer-to-Print System (直接制版系統) were signed with Hubei Daily (湖北日報) and Wenhui-Xinming News Group (文匯新民報業集團). In addition, an integrated supply contract of approximately RMB20 million was signed with People's Daily (人民日報), the largest news group in the PRC, in relation to newspaper publication.

With the accelerating trend in the digitalisation of the broadcasting and television business in the PRC, we have spent more marketing effort to promote our digital media systems such as Founder Wuyou (Care Free) Digital Broadcasting System (方正無憂數字播控系統), Founder Wuxian (Infinite) Non-linear Editing System (方正無限非線性編輯系統), Founder Author Tool (方正奧思多媒體創作系統), Founder News Editorial System (方正新聞採編系統), Founder Interactive Video Website System (方正交互式視頻網站系統) and Founder Virtual Scene System (方正虛擬佈景系統). In the year under review, we obtained contracts for the installation of our digital media systems from CCTV (中國中央電視台), CCTV Overseas Centre (中國中央電視台海外中心), Hunan Economics Television Station (湖南經濟電視台), Henan Television Station (河南電視台), Jinan Television Station (濟南電視台), Shenyang Television Station (瀋陽電視台) and Shanghai Oriental Radio Station (上海東方廣播電台).

## Non-media sector

The substantial increase in turnover for non-media sector during the year under review was mainly attributable to the acquisition of Beijing Founder Order Computer System Co., Ltd. ("Founder Order") in the second half of 1999.

Through extensive relationship network and excellent service and technical support, the Group has established a strong clientele in the financial and banking sector, the insurance sector, the aviation sector, the government sector, the telecommunications sector as well as the electric power sector in the PRC. Our major customers include Industrial and Commercial Bank of China ("ICBC") and China Construction Bank. At present, Founder Order is regarded as the largest computer system provider for ICBC and is serving most of its branches in the PRC.

During the year ended 31 December 2000, the Group has secured a number of contracts in the PRC in respect of electronic payment, digital image management, electronic verification, self service and network engineering such as the nation-wide call centre system for People's Insurance Company of China and the network construction for the tax bureaux of the provinces of Hunan, Hubei, Sichuan, Guizhou and Xizang under the Phase 2 of the Golden Taxation Project. Furthermore, the Group has been granted a number of contracts in relation to e-marketing solutions in Japan.

## (B) Sales of information products

The turnover of the sales of information products decreased by 6% to approximately HK\$596 million with its gross profit margin improved to 4.8% as compared to 2.2% in 1999.

The Group currently represents and distributes over 10 product lines for its own brands and certain world renowned brands such as Sun Microsystems, IBM, Apple Computers, Compaq and 3Com. The product lines include servers, workstations, notebook computers, laser printers, ink-jet plotters, scanners and networking products.

## Disposal of subsidiaries

A sale and purchase agreement was entered into on 17 May 2000 for the disposal of the Group's 70% interest in Founder Data Corporation International Limited, a subsidiary engaged in non-media e-commerce business, to Management Investment & Technology (Holdings) Limited ("MITH"), a company listed on the Hong Kong Stock Exchange, for a consideration of HK\$307,690,000 which was satisfied by the issuance of 307,690,000 shares of MITH at HK\$1.00 each. In addition, the Company subscribed additional 16,000,000 shares of MITH at HK\$1.00 each. These transactions were subsequently completed on 28 September 2000 and MITH has become an associated company of the Group since then. A gain on disposal of subsidiaries of approximately HK\$79 million was recorded by the Group from such disposal. On 16 November 2000 MITH changed its name to EC-Founder (Holdings) Company Limited which acts as the flagship of the Group for non-media e-commerce business.

In September 2000 Softbank Finance Corporation, a renowned international venture capital investor, invested 1 billion Japanese yen through its two technology investment funds for approximately 17% interest in Founder International Inc. (formerly known as Founder Inc.). In October 2000 Mitsubishi Corporation, a renowned international trading tycoon, also invested 146 million Japanese yen for approximately 2.5% interest in Founder International Inc. We expect that we can further explore the Japanese market much more successful together with these two strategic partners. As our interest in Founder International Inc. was diluted from 100% to approximately 80%, a gain on deemed disposal of subsidiary of approximately HK\$63 million was made by the Group.

## Group reorganisation

To allow greater flexibility in formulating the Group's future expansion plan and to enhance the international standing of the Group, the Group was restructured under a scheme of arrangement under which Founder (Hong Kong) Limited became a wholly owned subsidiary of the Company. Since 31 March 2000 the listing of the shares of Founder (Hong Kong) Limited was replaced by the listing of the shares of the Company.

## Employees

The total number of employees of the Group as at 31 December 2000 was 2,673 (1999: 2,630), out of which 2,492 (1999: 2,464) employees were stationed in the PRC. The following are the numbers of employees as at 31 December 2000 categorised according to their functions:

Sales and marketing	581
After-sales services	502
Research and development	651
Accounting and finance	134
Administration and management	527
Others	278
	<u>2,673</u>

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 Company 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.

## Prospects and plans for the future

As at 31 December 2000, the major contracts on hand for the software development and systems integration business amounted to approximately HK\$1,162 million, out of which approximately HK\$246 million was not yet completed. The Group has secured additional contracts amounting to approximately HK\$222 million in the first quarter of 2001.

For the media sector, we have committed ourselves to maintain our market leader position in the Chinese electronic publishing systems in the foreseeable future. We will introduce our Eagle RIP System to our western customers and will employ more marketing resources to explore the western market.

Our "e-book" integration system, one of our newly developed products for the media sector, was trial tested by the students of Peking University in December 2000 and the response from the students was encouraging. It is expected that the "e-book" integration system will be introduced to the market in early 2002.

The Group is also developing a number of various industrial and consumer products based on the fingerprint technology developed by Peking University Founder Group Corporation. We expect the fingerprint products will be available for marketing in the second half of 2001.

To cater for the overseas software development and systems integration business, the Group has established additional research and development teams in Zhuhai, Wuhan, Shenzhen and Toronto in late 2000 in addition to that in Beijing.

Through the introduction of new investors, we are planning to restructure the business of the sales of information products. We will expand the operations of our self developed information products but reduce the scale of the sales of non-self developed information products. We will also seek for more opportunities for making profit from the transfer of our self-developed technology such as the profit generated from the transfer of our non-media e-commerce business and technology to MITH in 2000. We expect such move will improve our profitability in the coming future.

## THE FINANCIAL REVIEW

### Liquidity and financial resources

As at 31 December 2000, the Group recorded total assets of approximately HK\$1,484 million which were financed by liabilities of approximately HK\$716 million and equity of approximately HK\$768 million. The Group's net asset value per share as at 31 December 2000 was HK\$0.68 per share as compared to HK\$0.50 per share as at 31 December 1999.

The Group had a total cash and bank balance of approximately HK\$358 million as at 31 December 2000. After deducting bank loans and overdrafts of approximately HK\$162 million, the Group recorded a net cash balance of approximately HK\$196 million as compared to HK\$169 million as at 31 December 1999. As at 31 December 2000, the Group had a working capital ratio of 1.84 (1999: 1.71) and a long term debt to equity ratio of 0.005 (1999: 0.008) with equity being defined as the total of capital and reserves.

### Charges on assets

As at 31 December 2000 all the land and buildings in Hong Kong and certain investment properties of the Group and fixed deposits of approximately HK\$42 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

As 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 HK\$42 million.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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 year 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 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 year covered by the annual report. The audit committee comprises two independent non-executive Directors.

### PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

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 website in due course.

By Order of the Board  
Wang Xuan  
Chairman

24 April 2001

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Founder Holdings Limited will be held at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong on 31 May 2001 at 11:00 a.m. for the following purposes:

- To receive and consider the audited financial statements for the year ended 31 December 2000 and the reports of the Directors and Auditors thereon.
- To re-elect retiring Directors and authorise the Board of Directors to fix their remuneration.
- To appoint Mr Xiao Jian Guo as additional Director.
- To re-appoint Auditors and authorise the Board of Directors to fix their remuneration.
- As special businesses, to consider and, if thought fit, pass the following resolutions, as Ordinary Resolutions:

### (A) "THAT

- 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;
- 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
- for the purpose of this Resolution, "relevant period" means the period from the passing of this Resolution until whichever is the earlier of:
  - the conclusion of the next annual general meeting of the Company;
  - 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
  - the revocation or variation of this Resolution by the passing of an ordinary resolution in general meeting of the Company."

### (B) "THAT

- 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;
- 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;
- 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, otherwise 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

- for the purpose of this Resolution, "relevant period" means the period from the passing of this Resolution until whichever is the earlier of:
  - the conclusion of the next annual general meeting of the Company;
  - 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
  - the revocation or variation of this Resolution by the passing of an ordinary resolution in general meeting of the Company."
- "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 No. 5(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 No. 5(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, Yvonne  
Company Secretary

Hong Kong, 24 April 2001

### Notes:

- A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company. Completion and returning of an instrument appointing a proxy will not preclude a member from attending and voting in person at the Meeting.
- In order to be valid, the proxy form and any power of attorney (if any) or other authority (if any) under which it is signed, or a copy of such authority certified notorally or in some other way approved by the Board of Directors, must be deposited with the Company's head office and principal place of business at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong not less than 48 hours before the time of the holding of the Meeting (or any adjourned meeting).
- 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. 5(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.