



FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2002

AUDITED RESULTS

The Board of Directors (the "Board") of Founder Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2002 as follows:

	Notes	2002 HK\$'000	2001 HK\$'000
TURNOVER	2	1,442,015	1,669,883
Cost of sales		(1,184,551)	(1,583,284)
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		(189,070)	(30,295)
LOSS FROM OPERATING ACTIVITIES	3	(257,267)	(353,056)
Finance costs		(4,607)	(12,104)
Share of profits and losses of:			
Jointly-controlled entity		1,896	1,371
Associates		(18,485)	(27,962)
LOSS BEFORE TAX		(278,463)	(391,751)
Tax	4	(1,187)	(1,539)
LOSS BEFORE MINORITY INTERESTS		(279,650)	(393,290)
Minority interests		5,157	9,324
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(274,493)	(383,966)
LOSS PER SHARE	5	24.4 cents	34.2 cents

Notes:

1. Impact of new and revised Statements of Standard Accounting Practice ("SSAPs")

The following new and revised SSAPs are effective for the first time for the current year's financial statements:

- SSAP 1 (Revised) : "Presentation of financial statements"
- SSAP 11 (Revised) : "Foreign currency translation"
- SSAP 15 (Revised) : "Cash flow statements"
- SSAP 34 : "Employee benefits"

2. Turnover and segment information

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

(a) Business segments

The following table presents revenue and profit/(loss) for the Group's business segments.

	Software development and systems integration for media business		Software development and systems integration for non-media business		Distribution of information products		Corporate		Others		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	573,941	487,177	302,083	243,793	514,574	895,776	—	—	51,417	43,137	1,442,015	1,669,883
Segment results	6,114	(40,973)	(8,407)	(172,106)	(20,741)	(77,324)	(26,766)	(23,011)	(19,979)	(12,506)	(69,779)	(325,920)
Interest income											1,582	3,159
Impairment of goodwill											(189,070)	(30,295)
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											(18,485)	(27,962)
Loss before tax											(278,463)	(391,751)
Tax											(1,187)	(1,539)
Loss before minority interests											(279,650)	(393,290)
Minority interests											5,157	9,324
Net loss from ordinary activities attributable to shareholders											(274,493)	(383,966)

(b) Geographical segments

The following table presents revenue for the Group's geographical segments.

	Hong Kong		Mainland China		Overseas		Eliminations		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	130,601	249,292	1,212,716	1,333,766	98,698	86,825	—	—	1,442,015	1,669,883
Intersegment sales	156,739	434,983	—	—	—	—	(156,739)	(434,983)	—	—
	287,340	684,275	1,212,716	1,333,766	98,698	86,825	(156,739)	(434,983)	1,442,015	1,669,883

* For identification purpose only

3. Loss from operating activities

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

	2002 HK\$'000	2001 HK\$'000
Impairment of goodwill	189,070	30,295
Depreciation	22,263	23,191
Amortisation of trademark	922	959
Loss on disposal of fixed assets	3,446	1,395
Loss on disposal of subsidiaries	560	55
Gain on deemed partial disposal of an associate	(3,685)	—
Gain on deemed partial disposal of a subsidiary	—	(2,074)

4. Tax

	2002 HK\$'000	2001 HK\$'000
Group:		
Hong Kong	17	—
Overseas	438	974
	455	974
Share of tax attributable to:		
Jointly-controlled entity	142	—
Associate	590	565
	732	565
Tax charge for the year	1,187	1,539

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year.

Taxes on overseas profits 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.

5. Loss per share

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year ended 31 December 2002 of approximately HK\$274,493,000 (2001: HK\$383,966,000), and the weighted average of approximately 1,123,800,000 (2001: 1,123,800,000) ordinary shares in issue during the year.

Diluted loss per share for the years ended 31 December 2002 and 2001 have not been calculated as the impact of the outstanding share options was anti-dilutive.

DIVIDEND

No interim dividend was paid during the year and previous year. The Board does not recommend the payment of any final dividend for the year (2001: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

The Group's audited consolidated loss after tax and minority interests for the year was narrowed by 28.5% to HK\$274.5 million (2001: HK\$384.0 million). If the impairment of goodwill of HK\$189.1 million (2001: HK\$30.3 million) was excluded, the Group's loss was in fact reduced from HK\$353.7 million to HK\$85.4 million. The Group recorded a drop in turnover during the year by 14% to HK\$1,442.0 million (2001: HK\$1,669.9 million). For the two years under review, gross profit percentage improved to 17.9% (2001: 5.2%). The implementation of various cost control measures and restructuring exercises since the last quarter of 2001 resulted in significant reduction of selling and distribution costs and administrative expenses by 11% and 29% respectively if compared to 2001.

Operating Review And Prospects

(A) Software development and systems integration

Media sector

The turnover of the software development and systems integration business in the media sector for the year increased by 18% to HK\$573.9 million (2001: HK\$487.2 million) while its contribution to loss from operating activities for the year recorded a profit of HK\$6.1 million (2001: loss of HK\$41.0 million).

The situation of holding-up or decreasing capital expenditure for new systems and/or up-grading demands by our customers as a result of the slowdown of the overall global economy in 2001 had extended to the first half of 2002. The situation however was slightly improved in the second half of 2002, thus led to the increase in turnover of this sector. During the year, we have strengthened the promotion campaign of our network publishing total solutions, Founder Apabi e-Book Solutions (which include Apabi Maker, Apabi Writer, Apabi Rights Server, Apabi Retail Server and Apabi Reader), through nationwide seminars and exhibitions to promote its application in e-Library. Up to date, over two hundred publishers have used our Apabi Solutions to produce e-books and over two hundred libraries have used our Apabi Solutions to manage their e-libraries. The Group has continued to devote to our research and development activities for our traditional digital publishing and commercial printing business and has introduced to the market a number of new/up-graded products using the frontier technologies. Through our efforts in the past few years, we have also established our leading position in the Chinese broadcasting control system, news production management system and digital storage and search system for television stations in the PRC.

Non-media sector

The turnover of the software development and systems integration business in the non-media sector for the year increased by 24% to HK\$302.1 million (2001: HK\$243.8 million) while its loss from operating activities for the year was narrowed substantially by 95% to HK\$8.4 million (2001: HK\$172.1 million).

The increase in turnover in 2002 was mainly attributable to the completion of contracts brought forward from previous years. In 2002, market competition in the systems integration business for the banking and securities industries in the PRC was still severe, thus resulted in drop in profitability for new contracts. Since the last quarter of 2001, we have started to restructure the management and operation of our non-media business. We have tightened the control over contract management and implemented a number of cost control programs. In 2002 we have further streamlined our operational team and reduced its headcount by nearly 30%. All our efforts have resulted in the substantial reduction in operating expenses by 44% and the improvement in the performance of our non-media business in the year under review.

Our restructuring exercise helps us to establish a stable management team and has improved our operational efficiency to face the keen market competition. We are confident that our performance will further improve in the near future.

NOTICE OF ANNUAL GENERAL MEETING

(B) Distribution of information products

The turnover of the distribution business of information products for the year decreased by 43% to HK\$514.6 million (2001: HK\$895.8 million) as the corporate demand for information products was still low. Its loss from operating activities for the year was substantially narrowed by 73% to HK\$20.7 million (2001: HK\$77.3 million).

During the first half of 2002, substantial restructuring and re-engineering was carried out which temporarily adversely affected the performance of our distribution business of information products. Great efforts were made by the management to clear up excessive inventories accumulated from last year and to chase up settlement from overdue debtors. Comprehensive inventory and credit control systems have been implemented during the year of 2002, thus resulted in the substantial improvement in inventories and trade receivables in term of reduction in amount and improvement in aging. Logistic process was also strengthened to reduce costs and to enhance efficiency.

(C) Provision of software solutions and services

Our major associate, EC-Founder (Holdings) Company Limited (“EC-Founder”), positions itself as a software solutions and service provider on the following business sectors: (a) information security, (b) geographic information system, (c) e-finance and (d) enterprise/government information.

EC-Founder was still facing fierce competition in the PRC market for its software business in 2002. The turnover of its software business in 2002 decreased slightly if compared to last year. The company’s brand name has been well recognised by the market since the initial launch of its information security products in 2001. Through sales agent network of EC-Founder, the clients of its information security products have reached nationally in the PRC. In 2002 it has also completed the project of “Key Client Service System” for China Construction Bank and a number of geographic information system projects for major oil and petroleum companies, telecommunication service providers, and the government forest management bureau in the PRC.

Employees

The Group has developed its human resources policies and procedures based on performance and merit. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance-related basis within the general framework of the Group’s salary and bonus systems. The Group provides on-the-job training to its employees in addition to retirement benefit schemes and medical insurance.

The Group operates share option schemes for the purpose of providing incentives and rewards to eligible directors and employees of the Group who contribute to the success of the Group’s operations. The Company adopted a new share option scheme in compliance with Chapter 17 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) at the last annual general meeting held on 24 May 2002.

Following the streamlining of the workforce of the Group in the first quarter of the year, the number of employees of the Group fell by 22% from 2,520 as at 31 December 2001 to 1,968 as at 31 December 2002.

FINANCIAL REVIEW

Liquidity, financial resources and capital commitments

As at 31 December 2002, the Group recorded total assets of HK\$812.1 million which were financed by liabilities of HK\$471.9 million, minority interests of HK\$15.7 million and shareholders’ equity of HK\$324.5 million. The Group’s net asset value per share as at 31 December 2002 amounted to HK\$0.29 per share as compared to HK\$0.36 per share as at 31 December 2001.

The Group had a total cash and bank balance of HK\$242.1 million as at 31 December 2002. After deducting total borrowings of HK\$33.2 million, the Group recorded an improved net cash balance of HK\$208.9 million as compared to HK\$125.5 million as at 31 December 2001. The Group’s borrowings, which are subject to little seasonality, consist of mainly short term bank loans and revolving trust receipt loans. As at 31 December 2002, the Group’s gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders’ equity, was 0.10 (31 December 2001: 0.44) while the Group’s working capital ratio was 1.40 (31 December 2001: 1.37).

As at 31 December 2002, the Group did not have any material capital expenditure commitments.

Treasury policies

The Group adopts conservative treasury policies and controls tightly over its cash and risk management. The Group’s cash and cash equivalents are held mainly in Hong Kong dollars and Renminbi. Surplus cash is generally placed in short term deposits denominated in Hong Kong dollars.

Exposure to fluctuations in exchange rates and related hedges

Most of the Group’s borrowings are denominated in Hong Kong dollars, Renminbi and United States dollars while the sales of the Group are mainly denominated in Hong Kong dollars and Renminbi. As the exchange rates of United States dollars against Hong Kong dollars and Renminbi were relatively stable during the year under review, the Group’s exposure to fluctuations in exchange rates is considered minimal and no financial instruments have been used for hedging purposes.

Contracts

As at 31 December 2002, the major contracts in hand for the software development and systems integration business amounted to approximately HK\$241 million (31 December 2001: approximately HK\$321 million), which are all expected to be completed within one year time.

Material acquisitions and disposals of subsidiaries and associates

During the current year under review, the Group had not acquired any subsidiaries and associates. On 8 April 2002, the shares of the Group’s 49% associate, PUC Founder (MSC) Berhad, were listed on the Malaysian Exchange of Securities of Dealing and Automated Quotation Market of the Kuala Lumpur Stock Exchange. Two million new ordinary shares were offered to the public and were oversubscribed by 5.5 times. The Group’s interest in the share capital of PUC Founder (MSC) Berhad after the initial public offer was diluted to 35.9% and the Group recorded a gain on the deemed partial disposal amounting to approximately HK\$3.7 million.

As announced on 10 December 2001, the Group had entered into a heads of agreement in relation to the establishment of a joint venture company in the PRC to engage in the business of systems integration and the development and distribution of computer-related hardware and software. Since none of the pre-conditions of the agreement was satisfied on or before the prescribed time, the agreement was therefore terminated on 3 July 2002.

Charges on assets

At 31 December 2002, all the Group’s land and buildings and investment properties in Hong Kong and fixed deposits in total of HK\$25.7 million were pledged to certain banks in Hong Kong to secure banking facilities granted.

Contingent liabilities

At 31 December 2002, the Company had contingent liabilities in relation to guarantees given to banks and suppliers in connection with facilities granted to certain subsidiaries amounting to approximately HK\$85 million and HK\$112 million, respectively.

At 31 December 2002, the Group had contingent liabilities in relation to bills discounted with recourse amounting to approximately HK\$2 million.

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 will be subsequently published on the Stock Exchange’s website in due course.

By Order of the Board
Cheung Shuen Lung
Chairman

Hong Kong, 24 April 2003

NOTICE IS HEREBY GIVEN THAT the annual general meeting of Founder Holdings Limited (the “Company”) will be held at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong on 28 May 2003 at 11:00 a.m. for the following purposes:

- To receive and consider the audited financial statements and the directors’ and auditors’ reports of the Company for the year ended 31 December 2002.
- To re-elect the retiring directors and to fix the remuneration of directors.
- To re-appoint auditors and to authorize the board of directors to fix their remuneration.

ORDINARY RESOLUTIONS

As special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions of the Company:

- “**THAT**:-
 - subject to paragraph (B) of this Resolution no. 4 below, the exercise by the directors of the Company during the Relevant Period (as defined in paragraph (C) of this Resolution no. 4 below) of all the powers of the Company to purchase Shares (as defined in paragraph (C) of this Resolution no. 4 below) on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) or on any other stock exchange on which the Shares may be listed and which is recognized for this purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange, subject to and in accordance with all applicable laws, including the Hong Kong Code on Share Repurchases and the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange (as amended from time to time), be and is hereby generally and unconditionally approved;
 - the aggregate nominal amount of Shares which may be purchased or agreed conditionally or unconditionally to be purchased pursuant to the approval in paragraph (A) of this Resolution no. 4 above shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution no. 4, and the said approval be limited accordingly; and
 - for the purposes of this Resolution no. 4:-
 - “Relevant Period” means the period from (and including) the passing of this Resolution no. 4 until whichever is the earliest 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 the bye-laws of the Company or any applicable law to be held; or
 - the revocation or variation of this Resolution no. 4 by an ordinary resolution of the shareholders of the Company in general meeting; and
 - “Shares” means shares of all classes in the capital of the Company and warrants and other securities which carry a right to subscribe or purchase shares in the Company.”
 - “**THAT**:-
 - subject to paragraph (B) of this Resolution no. 5 below, the exercise by the directors of the Company during the Relevant Period (as defined in paragraph (C) of this Resolution no. 5 below) of all the powers of the Company to allot, issue, grant, distribute and otherwise deal with additional Shares (as defined in paragraph (C) of this Resolution no. 5 below) and to make, issue or grant offers, agreements, options, warrants and other securities which might require Shares to be allotted, issued, granted, or distributed or otherwise dealt with during or after the end of the Relevant Period, be and is hereby generally and unconditionally approved;
 - the aggregate nominal amount of share capital allotted, issued, granted, distributed or otherwise dealt with or agreed conditionally or unconditionally to be allotted, issued, granted, distributed or otherwise dealt with (whether pursuant to an option, conversion or otherwise) by the directors of the Company pursuant to the approval in paragraph (A) of this Resolution no. 5 above, otherwise than pursuant to:-
 - a Rights Issue (as defined in paragraph (C) of this Resolution no. 5 below);
 - the grant of options under the share option scheme of the Company or the exercise of any of the subscription rights attaching to any options that have been or may be granted thereunder;
 - the exercise of rights of subscription or conversion under the terms of any warrant issued by the Company or any securities which are convertible into Shares; or
 - any scrip dividend scheme or similar arrangement providing for allotment of Shares in lieu of the whole or part of any dividend on Shares in accordance with the bye-laws of the Companyshall not exceed the aggregate of:
 - 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution no. 5; and
 - (if the directors of the Company are so authorized by a separate resolution of the shareholders of the Company) the aggregate nominal amount of the share capital of the Company purchased by the Company subsequent to the passing of this Resolution no. 5 (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution no. 5),and the said approval shall be limited accordingly; and
 - for the purposes of this Resolution no. 5:-
 - “Relevant Period” means the period from the passing of this Resolution until whichever is the earliest 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 the bye-laws of the Company or any applicable law to be held; and
 - the revocation or variation of this Resolution no. 5 by an ordinary resolution of the shareholders of the Company in general meeting;
 - “Shares” means shares of all classes in the capital of the Company and warrants and other securities which carry a right to subscribe or purchase shares in the Company; and
 - “Rights Issue” means an offer of Shares open for a period fixed by the directors of the Company to holders of Shares on the register of members (and, if appropriate, to the holders of warrants and other securities which carry a right to subscribe or purchase shares in the Company on the relevant register) on a fixed record date in proportion to their then holdings of such Shares (and, if appropriate, such warrants and other securities), (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any legal or practical restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any jurisdiction or territory applicable to the Company).”
- “**THAT** subject to the passing of Resolutions nos. 4 and 5 set out in this Notice, the exercise by the directors of the Company of the powers referred to in paragraph (A) of Resolution no. 5 in respect of the share capital of the Company referred to in sub-paragraph (b) of paragraph (B) of Resolution no. 5, be and is hereby approved and authorised.”

SPECIAL RESOLUTION

As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as special resolution of the Company:

- “**THAT** “方正控股有限公司” be and is hereby adopted as the Chinese name of the Company for the purpose of registration under Part XI of the Companies Ordinance (Cap. 32) of the Laws of Hong Kong.”

By Order of the Board
Founder Holdings Limited
Tang Yuk Bo, Yvonne
Company Secretary

Hong Kong, 24 April 2003

Notes:

- Any shareholder entitled to attend and vote at the annual general meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder 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.
- Where there are joint holders of any share, any one of such joint holders may vote at the annual general meeting, either in person or by proxy, in respect of such share as if he were solely entitled thereto but if more than one of such joint holders is present at the annual general meeting, then one of the said persons so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.
- To be valid, the instrument appointing a proxy, together with a 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 principal place of business in Hong Kong 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 appointed for holding the meeting or adjourned meeting (as the case may be). Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the meeting or at any adjourned meeting.