

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

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 2003 as follows:

	Notes	2003 HK\$'000	2002 HK\$'000 (Restated)
TURNOVER	2	1,553,796	1,442,015
Cost of sales		(1,276,880)	(1,184,551)
Gross profit		276,916	257,464
Other revenue and gains		61,851	44,752
Selling and distribution costs		(161,552)	(174,160)
Administrative expenses		(128,564)	(132,674)
Other operating expenses, net		(35,704)	(63,019)
Impairment of fixed assets		(3,777)	—
Impairment of goodwill		(2,528)	(189,070)
Loss on disposal of subsidiaries		(13,260)	(560)
LOSS FROM OPERATING ACTIVITIES	3	(6,618)	(257,267)
Finance costs	4	(2,071)	(4,607)
Share of profits and losses of:			
Jointly-controlled entity		1,028	1,896
Associates		3,836	(18,485)
LOSS BEFORE TAX		(3,825)	(278,463)
Tax	5	(3,790)	(2,538)
LOSS BEFORE MINORITY INTERESTS		(7,615)	(281,001)
Minority interests		14,830	5,157
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		7,215	(275,844)
EARNINGS/(LOSS) PER SHARE — BASIC	6	0.6 cents	(24.5) 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 12 (Revised) : “Income taxes”
- SSAP 35 : “Accounting for government grants and disclosure of government assistance”

A summary of their major effects is as follows:

SSAP 12 (Revised) principally prescribes the accounting treatment and disclosures for deferred tax. In prior years, deferred tax is provided using the income statement liability method on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt. SSAP 12 (Revised) requires the adoption of the balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The principal impacts of the revision of this SSAP are that the opening consolidated accumulated losses at 1 January 2003 and 2002 have been reduced by approximately HK\$8,129,000 and HK\$9,480,000, respectively and the tax charge for the years ended 31 December 2003 and 2002 have been increased by approximately HK\$1,715,000 and HK\$1,351,000, respectively.

The comparatives presented have been restated to conform to the change in accounting policy as a result of the adoption of SSAP 12 (Revised).

SSAP 35 prescribes the accounting for government grants and other forms of government assistance. This SSAP has had no significant impact on the financial statements on the amounts recorded for government grants, but additional disclosures are now required and made in the financial statements.

2. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of systems integration contracts; 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		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	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	571,947	573,941	175,798	302,083	756,799	514,574	—	—	49,252	51,417	—	—	1,553,796	1,442,015
Intersegment sales	—	—	1,078	—	13,448	—	—	—	—	—	(14,526)	—	—	—
Total	571,947	573,941	176,876	302,083	770,247	514,574	—	—	49,252	51,417	(14,526)	—	1,553,796	1,442,015
Segment results	23,936	6,674	2,509	(8,407)	6,930	(20,741)	(18,962)	(26,766)	(4,018)	(19,979)	—	—	10,395	(69,219)
Interest income													2,552	1,582
Impairment of fixed assets													(3,777)	—
Impairment of goodwill													(2,528)	(189,070)
Loss on disposal of subsidiaries													(13,260)	(560)
Loss from operating activities													(6,618)	(257,267)
Finance costs													(2,071)	(4,607)
Share of profits and losses of:														
Jointly-controlled entity													1,028	1,896
Associates													3,836	(18,485)
Loss before tax													(3,825)	(278,463)
Tax													(3,790)	(2,538)
Loss before minority interests													(7,615)	(281,001)
Minority interests													14,830	5,157
Net profit/(loss) from ordinary activities attributable to shareholders													7,215	(275,844)

* For identification purpose only

(b) Geographical segments

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

	Hong Kong		Mainland China		Overseas		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	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	172,084	130,601	1,235,026	1,212,716	146,686	98,698	—	—	1,553,796	1,442,015
Intersegment sales	177,289	156,739	—	—	—	—	(177,289)	(156,739)	—	—
Total	349,373	287,340	1,235,026	1,212,716	146,686	98,698	(177,289)	(156,739)	1,553,796	1,442,015

3. LOSS FROM OPERATING ACTIVITIES

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

	2003 HK\$'000	2002 HK\$'000
Amortisation of goodwill	784	—
Depreciation	17,110	22,263
Amortisation of trademark	—	922
Loss on disposal of fixed assets	210	3,446
Gain on partial disposal of a subsidiary	(3,496)	—
Gain on deemed partial disposal of an associate	—	(3,685)

4. FINANCE COSTS

Interest on bank loans and overdrafts
Interest on finance leases

5. TAX

Group:

	2003 HK\$'000	2002 HK\$'000 (Restated)
Current - Hong Kong	8	17
Current - Elsewhere	710	438
Deferred	1,715	1,351
Total	2,433	1,806

Share of tax attributable to:
Jointly-controlled entity
Associates

	2003 HK\$'000	2002 HK\$'000
Jointly-controlled entity	98	142
Associates	1,259	590
Total	1,357	732

Total tax charge for the year

	2003 HK\$'000	2002 HK\$'000
Jointly-controlled entity	98	142
Associates	1,259	590
Total	1,357	732
Total tax charge for the year	3,790	2,538

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the year.

Beijing Founder Electronics Co., Ltd. is subject to profits tax of the People’s Republic of China (the “PRC”) at a rate of 10% on its assessable profits for the three fiscal years which commenced in 2001 and ended on 31 December 2003. Beijing Founder Order Computer System Co., Ltd. is exempted from PRC profits tax for the three fiscal years which commenced in 1999 and ended on 31 December 2001 and, thereafter, is taxed at 50% of its standard tax rate in the fourth to sixth years, inclusive. Beijing Founder Century Information System Co., Ltd. is exempted from PRC profits tax for the three fiscal years which commenced in 2002 and ending on 31 December 2004 and, thereafter, will be taxed at 50% of its standard tax rate in the fourth to sixth years, inclusive. EC-Founder Co., Ltd. is exempted from PRC profits tax for the three fiscal years which commenced in 2001 and ended on 31 December 2003 and, thereafter, is taxed 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 for the year as the relevant PRC subsidiaries were either under their tax exemption period or had sufficient tax losses brought forward to offset against the assessable profits arising 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.

6. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net profit attributable to shareholders for the year ended 31 December 2003 of approximately HK\$7,215,000 (2002 (restated): net loss of HK\$275,844,000), and the weighted average of approximately 1,123,800,000 (2002: 1,123,800,000) ordinary shares in issue during the year.

Diluted earnings/(loss) per share for the years ended 31 December 2003 and 2002 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 (2002: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

The Group’s audited consolidated profit after tax and minority interests for the year ended 31 December 2003 amounted to HK\$7,215,000 (2002: loss of HK\$275,844,000). The Group recorded a moderate increase in turnover during the year by approximately 8% to HK\$1,553.8 million (2002: HK\$1,442.0 million). For the two years under review, gross profit percentage maintained at approximately 17.8%. Our cost control measures implemented in early 2003 further reduced our selling and distribution costs and administrative expenses by approximately 7% and 3% respectively if compared to 2002.

Impairment of goodwill was substantially reduced from HK\$189.1 million in 2002 to HK\$2.5 million in 2003. As a result of business restructuring, the electronic products business was disposed of in September 2003, thus resulting into a non-recurring loss on disposal of HK\$13.3 million and an impairment of fixed assets of HK\$3.8 million. If those exceptional losses were excluded, the Group would record a profit from operating activities of HK\$12.9 million rather than a loss of HK\$6.6 million.

Basic earnings per share for the year was HK0.6 cents (2002: loss of HK24.5 cents).

Operating Review And Prospects

In 2003, we have implemented a series of actions to improve our operations. More effort and resources were devoted to new product development and new market exploration. Loss making or low margin businesses have been scaled down or terminated. Resources were re-allocated in order to enhance our competitiveness and productivity. Despite the harsh business environment caused by the outbreak of SARS in the first half of 2003, we still achieved a satisfactory improvement in our performance and all our three major business segments recorded segmental profit for the current year under review.

(A) Software development and systems integration for media sector

The turnover of the software development and systems integration business for the media sector for the current year maintained at HK\$571.9 million (2002: HK\$573.9 million) while its segment results significantly improved to a profit of HK\$23.9 million (2002: HK\$6.7 million).

Our flagship subsidiary, Beijing Founder Electronics Co., Ltd. was ranked as one of five most competitive PRC software enterprises in 2003. In November 2003, our Founder Apabi Digital Rights Management System has won the Award of Significant Technology and Invention (重大技術發明獎) from the Ministry of Information Industry. We have continued to strengthen the promotion campaign of our network publishing total solutions, Founder Apabi e-Book Solutions, in the PRC and to devote to our research and development activities for our traditional digital publishing and commercial printing business.

For overseas market, we had completed the development and installation of the publishing systems for Nikkan Sports Printing Co., Ltd. in Japan and Singapore Press Holdings Limited in Singapore in 2003. Sales for our publishing solutions to western countries have also grown satisfactory in the recent years and annual sales exceeded US\$1 million in 2003.

NOTICE OF ANNUAL GENERAL MEETING

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 24 May 2004 at 11:15 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the directors’ and auditors’ reports of the Company for the year ended 31 December 2003.
2. To re-elect the retiring directors and to fix the remuneration of directors.
3. To re-appoint auditors and to authorise 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:

4. **“THAT:-**
 - (A) 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 recognised 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;
 - (B) 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
 - (C) for the purposes of this Resolution no. 4:-
 - (i) “Relevant Period” means the period from (and including) the passing of this Resolution no. 4 until whichever is the earliest of:-
 - (a) the conclusion of the next annual general meeting of the Company;
 - (b) 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
 - (c) the revocation or variation of this Resolution no. 4 by an ordinary resolution of the shareholders of the Company in general meeting; and
 - (ii) “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.”
5. **“THAT:-**
 - (A) 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;
 - (B) 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:-
 - (i) a Rights Issue (as defined in paragraph (C) of this Resolution no. 5 below);
 - (ii) 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;
 - (iii) 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
 - (iv) 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:
 - (a) 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
 - (b) (if the directors of the Company are so authorised 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
 - (C) for the purposes of this Resolution no. 5:-
 - (i) “Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:-
 - (a) the conclusion of the next annual general meeting of the Company;
 - (b) 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
 - (c) the revocation or variation of this Resolution no. 5 by an ordinary resolution of the shareholders of the Company in general meeting;
 - (ii) “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
 - (iii) “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).”
6. **“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.”

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

Hong Kong, 2 April 2004

Notes:

1. 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.
2. 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.
3. 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.
4. Concerning the Ordinary Resolution No. 2 above, Professor Wei Xin and Dr Hu Hung Lick, Henry will retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting. Details of the above directors will be set out in the circular to be enclosed with the Annual Report 2003.

In the past few years, to respond to the rapid development of internet and e-business, we have devoted our research and development resources to our E-Media strategy. Other than our traditional digital publishing and commercial printing technologies, we now also have our self-developed technologies in the area of digital rights protection, digital asset management and digital printing on-demand. As a leading professional software developer, we continue to promote the production and dissemination of digital information in the field of multi-media and trans-media.

(B) Software development and systems integration for non-media sector

The turnover of the software development and systems integration business in the non-media sector for the year decreased by 42% to HK\$175.8 million (2002: HK\$302.1 million) while its segment results resumed a profit of HK\$2.5 million (2002: loss of HK\$8.4 million).

Market competition in the systems integration business for the banking and security industries in the PRC was still severe during the year under review, turnover for the year was lower than expected. Other than our traditional sales in the banking and security sectors, we have also achieved satisfactory growth in sales in the government sector in the area of taxation, postal and security. We have further streamlined our operational team and tightened the control over operating expenses, thus improving our operational efficiency to face the keen market competition. Equipped with the Class One Computer Information Systems Integrator (一級計算機信息系統集成資質) status from the Ministry of Information Industry and the Gold Certified Partner (金牌認證伙伴) status with Cisco Systems, we are confident to gain more contracts from networking information system projects in the coming years.

(C) Distribution of information products

Our substantial restructuring and reengineering exercise in 2002 laid a solid foundation for the future development of our distribution business of information products. The turnover of the distribution business of information products for the year increased by 47% to HK\$756.8 million (2002: HK\$514.6 million) while its segmental results for the year recorded a profit of HK\$6.9 million (2002: loss of HK\$20.7 million).

The distribution business has gained its ranking from the 11th place in 2002 to the 7th place in 2003 among the top 100 distributors of information products in the PRC. Besides the headquarters in Beijing, the Group has established branch offices in Shanghai, Guangzhou and Chengdu and various representative offices in a number of cities in the PRC.

The internal demand for IT products in the PRC will remain strong as the PRC’s gross domestic products is expected to continue to increase at an annual growth rate of approximately 7% to 8% for the next ten years. In addition, after PRC’s accession into the World Trade Organisation and the running up of the Olympic Games of 2008 in Beijing, it is expected that the PRC IT industry will achieve a double digit compound annual growth rate over the next five years. In 2004, we have planned to expand our distribution network by establishing more offices throughout the PRC in order to capture the considerable development potential in the IT industry in the future.

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 has not granted any share options during the year.

Although the workforce of the Group was further streamlined in the first quarter of the year, the number of employees of the Group increased by 6% to approximately 2,080 as at 31 December 2003 as a result of the additional headcount contributed by the subsidiaries acquired during the year.

Financial Review

Liquidity, financial resources and capital commitments

At 31 December 2003, the Group recorded total assets of HK\$960.7 million which were financed by liabilities of HK\$532.0 million, minority interests of HK\$86.7 million and equity of HK\$342.0 million. The Group’s net asset value per share as at 31 December 2003 amounted to HK\$0.3 (2002: HK\$0.3) per share.

The Group had a total cash and bank balances of HK\$323.7 million as at 31 December 2003. After deducting total borrowings of HK\$5.5 million, the Group recorded a net cash balance of HK\$318.2 million as at 31 December 2003 as compared to HK\$208.9 million as at 31 December 2002. The Group’s borrowings, which are subject to little seasonality, consist of mainly short term bank loans and revolving trust receipt loans. At 31 December 2003, the Group’s gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders’ equity, was 0.02 (31 December 2002: 0.10) while the Group’s working capital ratio was 1.53 (31 December 2002: 1.40).

At 31 December 2003, 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, Renminbi and United States dollars. Surplus cash is generally placed in short term deposits denominated in Hong Kong dollars, Renminbi and United States dollars.

Exposure to fluctuations in exchange rates and related hedges

Most of the Group’s borrowings are denominated in Hong Kong dollars and United States dollars while the sales of the Group are mainly denominated in Renminbi and United States dollars. 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

At 31 December 2003, the major contracts in hand for the software development and systems integration business amounted to approximately HK\$162.1 million, which are all expected to be completed within one year time.

Material acquisitions and disposals of subsidiaries and associates

On 19 March 2003, Founder (Hong Kong) Limited (“FHK”), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with EC-Founder (Holdings) Company Limited (“EC-Founder”), the then 39.45% owned associated company of the Company, for the disposal of FHK’s entire equity interests in Founder Century (Hong Kong) Limited and Beijing Founder Century Information System Co., Ltd., both of which are engaged in the distribution business of information products. The disposal was completed on 1 July 2003. EC-Founder became an approximately 54.85% owned subsidiary of the Company upon the completion of the disposal.

On 1 August 2003, EC-Founder entered into a conditional disposal agreement for the disposal of the entire issued share capital of MIT Holdings Limited at a total cash consideration of HK\$45.5 million. MIT Holdings Limited and its subsidiaries are engaged in the electronic products business. The disposal was completed on 26 September 2003, resulted into an exceptional loss on disposal of subsidiaries amounting to HK\$13.3 million.

Charges on assets

At 31 December 2003, all the Group’s land and buildings and investment properties in Hong Kong of approximately HK\$28.5 million and fixed deposits of approximately HK\$41.1 million were pledged to banks to secure banking facilities granted.

Contingent liabilities

At 31 December 2003, 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\$45 million and HK\$15.6 million respectively.

At 31 December 2003, the Group had contingent liabilities in relation to bills discounted with recourse amounting to approximately HK\$3.7 million.

PROPOSED AMENDMENTS TO THE BYE-LAWS OF THE COMPANY

The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) has published amendments to The Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) on 30 January 2004. Subject to specific transitional arrangements in respect of some of the new provisions, the revised Listing Rules became effective on 31 March 2004. The revised Listing Rules have imposed certain new requirements which have to be reflected in the articles of association/bye-laws of all issuers.

To align the bye-laws of the Company with the revised Listing Rules, the Board proposes that certain provisions in the bye-laws of the Company be amended to comply with the revised Listing Rules, details of which will be set out in a circular to be despatched to shareholders in due course.

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, 2 April 2004

The directors of the Company as at the date hereof are Mr Cheung Shuen Lung, Professor Xiao Jian Guo, Professor Wei Xin, Mr Zhang Zhao Dong, Dr Hu Hung Lick, Henry and Mr Li Fat Chung.