



EC-FOUNDER (HOLDINGS) COMPANY LIMITED

方正數碼(控股)有限公司*

(Incorporated in Bermuda with limited liability)

Web sites: www.ecfounder.com www.irasia.com/listco/hk/ecfounder

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2001

AUDITED RESULTS

The Board of Directors (the "Directors") of EC-Founder (Holdings) Company Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2001, together with the comparative figures for the corresponding period of last year as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

| | Notes | Year ended 31 December | |
|---|-------|------------------------|--------------------------------|
| | | 2001 HK\$'000 | 2000 HK\$'000 (Restated) |
| TURNOVER | | | |
| Continuing operations | | 243,443 | 129,438 |
| Discontinuing operations | 3 | 88,012 | 129,226 |
| Cost of sales | 4 | 331,455 | 258,664 |
| Gross profit | | (274,810) | (231,194) |
| Other revenue and gains | 5 | 56,645 | 27,470 |
| Selling and distribution costs | | 45,507 | 6,735 |
| Administrative expenses | | (44,162) | (17,678) |
| Other operating expenses | | (70,394) | (48,342) |
| Impairment of fixed assets | | (13,972) | (13,708) |
| Impairment of goodwill | 2 | (38,180) | — |
| LOSS FROM OPERATING ACTIVITIES | | | |
| Continuing operations | | (42,478) | (488,728) |
| Discontinuing operations | | (22,078) | (9,054) |
| Finance costs | 6 | (64,556) | (497,782) |
| Share of profits and losses of: | 7 | (9,069) | (7,411) |
| Jointly-controlled entities | | — | 14,014 |
| Associates | | 4,346 | 2,159 |
| LOSS BEFORE TAX | | (69,279) | (489,020) |
| Tax | 8 | (1,432) | (3,075) |
| LOSS BEFORE MINORITY INTERESTS | | (70,711) | (492,095) |
| Minority interests | | 1,670 | (5) |
| NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS | | (69,041) | (492,100) |
| LOSS PER SHARE | 9 | | |
| — Basic | | 8.4 cents | 143.0 cents |
| — Diluted | | N/A | N/A |

NOTES TO THE AUDITED CONSOLIDATED ACCOUNTS

1. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following recently-issued and revised SSAPs and related Interpretations are effective for the first time for the current year's financial statements:

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 14 (Revised): "Leases"
- SSAP 18 (Revised): "Revenue"
- SSAP 26: "Segment reporting"
- SSAP 28: "Provisions, contingent liabilities and contingent assets"
- SSAP 29: "Intangible assets"
- SSAP 30: "Business combinations"
- SSAP 31: "Impairment of assets"
- SSAP 32: "Consolidated financial statements and accounting for investments in subsidiaries"
- Interpretation 12: "Business combinations — subsequent adjustment of fair values and goodwill initially reported"
- Interpretation 13: "Goodwill — continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in the financial statements of those SSAPs and Interpretations which have had a significant effect on the financial statements, are summarised in the Company's annual report.

2. IMPAIRMENT OF GOODWILL

Due to the adoption of SSAP 31, the Group has adopted a policy to assess goodwill eliminated against consolidated reserves for impairment. As a result, the Group has recognised an impairment of part of the goodwill previously eliminated against consolidated reserves, of approximately HK\$452,259,000, during the year, further details are set out in the Company's annual report. This change of accounting policy has been accounted for retrospectively as a prior year adjustment in accordance with the transitional provisions of SSAP 30. Because this goodwill remains eliminated against consolidated contributed surplus and consolidated retained profits, this prior year adjustment has resulted in a decrease of approximately HK\$452,259,000 in the amount of consolidated retained profits previously reported as at 31 December 2000. This prior year adjustment has had no effect on the results for the current year.

3. DISCONTINUING OPERATIONS

On 4 April 2002, the Company entered into a conditional Disposal Agreement ("DA") to dispose a group of subsidiaries, in view of the strategic plan to concentrate businesses in the Group's core activities. The principal activity of the group of subsidiaries being disposed of is manufacture, marketing and distribution of electronic components which mainly related to semi-conductors products. The details of DA were disclosed in the announcement of the Company on 8 April 2002 and the completion of DA is subject to certain conditions to be fulfilled and the approval by independent shareholders at the special general meeting. The business being disposed of will be accounted for until the completion date of its disposal, at which time the assets and liabilities of the business will be deconsolidated and used to calculate the loss on disposal of discontinued operations.

4. SEGMENT INFORMATION

(a) The analysis of turnover and contribution to profit/(loss) from operating activities by principal activities is as follows:

| | Turnover | | Contribution to profit/(loss) from operating activities | |
|---|------------------------|------------------|---|------------------|
| | Year ended 31 December | | Year ended 31 December | |
| | 2001 HK\$'000 | 2000 HK\$'000 | 2001 HK\$'000 | 2000 HK\$'000 |
| Continuing operations: | | | | |
| Provision of software solutions and e-Commerce services | 73,681 | 10,072 | (35,046) | (21,265) |
| Electronics products | 169,762 | 119,366 | 4,735 | (3,653) |
| | 243,443 | 129,438 | (30,311) | (24,918) |
| Discontinuing operations: | | | | |
| Electronics components | 88,012 | 129,226 | (23,392) | (9,838) |
| | 331,455 | 258,664 | (53,703) | (34,756) |
| Interest and other income | | | 4,761 | 5,289 |
| Unallocated expenses | | | (15,614) | (16,056) |
| Impairment of goodwill | | | — | (452,259) |
| Loss from operating activities | | | (64,556) | (497,782) |

(b) The analysis of turnover and contribution to profit/(loss) from operating activities by geographical area is as follows:

| | Turnover | | Contribution to profit/(loss) from operating activities | |
|---|------------------------|------------------|---|------------------|
| | Year ended 31 December | | Year ended 31 December | |
| | 2001 HK\$'000 | 2000 HK\$'000 | 2001 HK\$'000 | 2000 HK\$'000 |
| The People's Republic of China (the "PRC"): | | | | |
| Hong Kong | 6,757 | 48,272 | (1,125) | (3,914) |
| Elsewhere | 121,297 | 51,667 | (46,885) | (23,976) |
| Singapore | 35,792 | 44,107 | (9,433) | (3,358) |
| United Kingdom | 35,808 | 26,437 | 999 | (808) |
| United States of America ("USA") | 128,965 | 87,291 | 3,440 | (2,666) |
| Others | 2,836 | 890 | (699) | (34) |
| | 331,455 | 258,664 | (53,703) | (34,756) |
| Interest and other income | | | 4,761 | 5,289 |
| Unallocated expenses | | | (15,614) | (16,056) |
| Impairment of goodwill | | | — | (452,259) |
| Loss from operating activities | | | (64,556) | (497,782) |

5. OTHER REVENUE AND GAINS

An analysis of other revenue and gains is as follows:

| | Year ended 31 December | |
|----------------------------|------------------------|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 |
| Other revenue | | |
| Rental income | 421 | 421 |
| Interest income | 3,576 | 3,218 |
| Other | 764 | 1,650 |
| | 4,761 | 5,289 |
| Gains | | |
| Profit guarantees (note a) | 40,746 | 1,446 |
| | 45,507 | 6,735 |

Note (a):

Pursuant to the Management Agreement entered by the Company on 17 May 2000 with Ricwinco Investment Limited ("Ricwinco"), Ricwinco agreed to pay a guaranteed amount of approximately HK\$40,746,000 to the Group for the year ended 31 December 2001 during which the profit guarantee is effective. The Group recognised the profit guarantee amount of approximately HK\$40,746,000 payable by Ricwinco in the accounts as at 31 December 2001.

6. LOSS FROM OPERATING ACTIVITIES

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

| | Year ended 31 December | |
|---|------------------------|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 |
| Depreciation | 13,424 | 13,363 |
| Loss on disposal of an associate | 1,115 | — |
| Amortisation and write-off of deferred development costs* | 3,864 | 637 |

* The amortisation and write-off of deferred development costs for the year are included in "Cost of sales" on the face of the consolidated profit and loss account.

7. FINANCE COSTS

| | Year ended 31 December | |
|--|------------------------|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 |
| Interest on bank loans and overdrafts | 7,091 | 4,846 |
| Interest on other loans wholly repayable within five years | 1,581 | 1,406 |
| Interest on finance leases | 397 | 1,159 |
| Total interest | 9,069 | 7,411 |

8. TAX

| | Year ended 31 December | |
|-------------------------------|------------------------|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 |
| Share of tax attributable to: | | |
| Jointly-controlled entities | — | 2,359 |
| Associates | 1,432 | 716 |
| Tax charge for the year | 1,432 | 3,075 |

No provision for Hong Kong or overseas tax has been made for the Company and its subsidiaries as they either have no assessable profits or have available tax losses brought forward from prior years to offset against current year estimated assessable profits. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

9. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of approximately HK\$69,041,000 (2000: HK\$492,100,000), and the weighted average of approximately 820,562,000 (2000: 344,219,000) ordinary shares in issue during the year.

Diluted loss per share amounts for the years ended 31 December 2001 and 2000 have not been disclosed as the share options outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

DIVIDEND

No interim dividend was paid during the year. The Directors do not recommend the payment of any final dividend for the year (2000: Nil).

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2001, the turnover of the Group was approximately HK\$331.5 million, an increase of approximately 28.1% from last year's approximately HK\$258.7 million. The increase was mainly due to the increases of approximately 88% in the turnover of continuing operations which includes the software solution and e-Commerce services business (the "Software business") and the manufacture and sale of electronics products business (the "Electronics products business") which mainly related to manufacture and distribution of weighing scales. The turnover of Software business increased significantly by more than 6 times from last year's approximately HK\$10.1 million to current year's approximately HK\$73.7 million. Also, there was an increase of approximately 42.2% in turnover of the Electronics products business which amounted to current year's turnover of approximately HK\$169.8 million. Nevertheless, the increase was dampened by the decrease of approximately 32% in discontinuing business — the manufacture and sale of electronics components business (the "Electronics components business") which mainly related to manufacture and distribution of semi-conductors.

Gross profit

The Group's gross profit was doubled to approximately HK\$56.6 million as compared to last year's approximately HK\$27.5 million. The increase was mainly due to the increase in gross profit of the Software business from last year's approximately HK\$3.8 million to current year's approximately HK\$23 million. On the other hand, the gross profit of Electronics products increased by approximately HK\$25 million but the Electronics components business decreased by approximately HK\$15 million.

The Group's overall gross profit margin increased to approximately 17.1% compared to last year's approximately 10.6%. The increase in gross profit margin matched with the Group's strategy after the introduction of high growth and high profit margin's Software business. The gross profit margin of Software business was approximately 31.2% (2000: 38.2%). However, if the hardware costs which contributes no value added to the profit are excluded, the gross profit margin will be approximately 55%.

Other revenue and gains

The increase in other revenue and gains was mainly due to the profit guarantee which related to the losses incurred by the discontinuing operations — the Electronics components business. Such profit guarantee was made in accordance with the Management Agreement entered by the Company on 17 May 2000.

Expenses

The increase in selling and distribution costs and administrative expenses were due to increases of expenses in the Electronics products business and Software business as the increases in turnover and the inclusion of current full year's expenses of the Software business as compared to only a quarter's expenses were recorded in last year.

Liquidity

The Group maintained a net cash position of approximately HK\$52 million as at 31 December 2001 (2000: approximately HK\$64 million).

REVIEW OF OPERATIONS

Year 2001 marked a significant milestone for EC-Founder as it successfully forged into the lead in the Internet software solutions and the services industries in the PRC.

During the year, EC-Founder has been actively engaged in operation restructuring and repositioning in response to the changing market demand. By application of the software solutions in the PRC, the Company managed to establish an Internet-based, computerized and electronic operation and provides its business partners with the necessary business software accessories and application software solution services for the modern Cyber world. Customers can then capitalize on the synergy of their Internet-based operation and EC-Founder's cutting edge software innovations and technologies, thereby enhancing the operation efficiency and strengthening their market competitiveness.

During the year under review, EC-Founder continued to improve its service quality, and taking advantage of state-of-the-art technology, it endeavoured to develop and introduce from abroad the most advanced and rewarding products. Meanwhile, it also stepped up its efforts in marketing and product promotion by participating in a number of national and international promotional activities on Internet technology, such as The Fifth International Commercial Meeting on Electronics Technology and activities of The Fifth International Advanced High-tech Industries in Beijing held in May 2001, The PRC International Digital City Planning of Technology Equipment Exhibition, Comdex 2001 Exhibition in the US and the Conference of Spatial 2001 on the Application of Geographic Spatial Information. Such efforts were made to boost EC-Founder's brand promotion in the PRC and other overseas markets and helped to consolidate its position as a technology-based software and service provider. From these efforts, the Company achieved satisfactory results during the year and received wide recognition from the software technology market for its outstanding technology for customers. The operations were on a steady rise as the Company became a leading player well recognized in the industry.

Software business

In year 2001, it was the first full year's operation as compared to last year's only one quarter's results were recorded as the completion of acquisition of Software business by the Company took place in September 2000.

The significant increases in turnover and gross profit were mainly due to the completion of project for the China Construction Bank, the launch of self-developed GIS products - Founder Mirage series and self-developed network security product - FireGate Firewall series in March 2001.

During the year, the Group has established a clear development direction and became a provider of Internet software-related technology, solutions and services in the PRC by providing quality products and services to governments and enterprises in the PRC. The Group's main business achievements are as follows:

Network security products and solutions

This business sector mainly involves product development and its application in protection software for the Internet and computer systems.

The Group successfully developed and launched its network security products and solutions - FireGate series in March 2001 and also obtained the licence for the product. During the year, the product passed the certification process of the Ministry of Public Security, the National Information Security Testing Evaluation and Certification Center, the military and the State Secrets Bureau, and became the second company in the PRC which successfully obtained a full set of complete certification and recommendation from all relevant regulatory departments in the PRC. In addition, the Group developed the first-ever anti-offensive simulated testing environment for network security in the PRC - "iTornado", which was also highly recognized by the relevant government authorities.

At present, the Group's sales network comprises 4 distributors, over 80 agents and 15 contract maintenance service providers with a nearly 100% customer coverage. Its customers come from each and every walk of life including major corporate clients such as China Telecom, The People's Bank of China, Shanghai Telecom and China Construction Bank, Shenyang Branch. The Group also provides firewall products and services to government departments including the Headquarters of Chinese People's Armed Police Force, Wenzhou Central Tax Bureau, Sichuan Provincial Government and Shanghai Education Committee.

Moreover, the Group achieved outstanding performance in conducting the network security work on the official website of the Beijing 2008 Olympic Bidding Committee. It successfully protected the website from over 15,000 hacking attempts made by overseas hackers during the "May-Day War" in last year and was thus highly appraised and recognized by Beijing city government on several occasions.

Geographic Information System

Geographic Information System (GIS) products mainly include GIS software for enterprises such as own-developed Founder Mirage series and the distribution for the US's MapInfo products.

During the period under review, the Group signed an OEM contract with RAE Company from the US for Founder Mirage, a GIS product owned-developed by the Group, which successfully explored the overseas export market for the Group.

In addition, the Group also developed a fundamental information system for aerial photography for the National Geomatics Center of China, providing the Center with features such as overall planning and design on aerial photography, auxiliary technical design, aerial photographic simulation and searching. The Group also won the bid for the construction of the geographic information system for the Forest Fire Protection Control and Forest Resources Monitor Control of Heilongjiang Forest Industrial Bureau, which helps the Ministry of Forest to break through constraints on the reforms of traditional policies, thereby promoting the modernization of operation management in forestry. As for the logistics transportation sector, the Group entered into a project agreement with 南海合興襪業有限公司 for software development of its marketing and logistics transportation management system. The Group also successfully implemented its initiatives on alliance partner management and sales operation of alliance partners. It also strengthened its efforts on the management of the purchase, sale and inventory arms and computerized management on logistics transportation.

As for the sale of its GIS product MapInfo in the Greater China region, through its more than 100 agents nationwide, the Group successfully obtained orders from 新疆克拉玛依油田新港石油開發公司, 廣東科龍, 山東電信, 北京市規劃委員會 as well as order from the National Geomatics Center and 11 provinces and autonomous regions including Guizhou, Jilin, Inner Mongolia, Jiangsu, Hubei, Hunan, Henan, Guangxi, Anhui, Ningxia and Yunnan. Moreover, the Group also made aggressive efforts to develop application for China Petroleum & Chemical Corporation and China Mobile.

On the front of research and development, the Group completed the address coding technology during the year, providing enhancement for spatial technology. It is expected that the application of this new technology can help to stretch the market reach of the Group.

e-Finance

The e-Finance software technology and services business mainly involves the provision of real-time computerized software technology and service platform for finance-related companies.

During the year, the Group established a "Major Customer Services System" for the China Construction Bank. A series of linkup tests was conducted during September 2001 and the system is expected to be in full operation in 2002. The introduction of the "Major Customer Services System" came as a result of the reforms on the auditing system in the securities market. The system not only helps to cater for enterprises' demand for B2B services but at the same time bridge the linkage between securities institutes and the China Construction Bank. Such efforts aim to develop new businesses such as B2B transfers and opening of margin accounts.

Enterprise/Government information solutions

The enterprise/Government information solutions business mainly involves the provision of computerized software services platform for enterprises/the Government to enhance departmental information and data exchange by means of single-platform services with an aim to streamline the customer and internal information system to enhance the service efficiency.

During the year under review, the Group developed an information solution for enterprises and the Government. As for enterprise information solutions, the Group entered into a contract with 中國糧油食品進出口總公司 for the construction of the portal site (COFCO) and the FOODEC function site for its member companies as branch portals for the industry of food and oil import/export. The Group also developed in joint collaboration with 海立美公司 an enterprise business administration system for the sale of air-conditioners. In addition, the Group also combined its EAP product with the EIP product of the US's Viador Company to develop a new version of EAP product. The new product is now at its final production stage and will soon be launched into the market.

Regarding Government information solutions, taking advantage of the PRC Government's aggressive boost to e-administration, the Group undertook the project of China Social Development Network (中社網) and the construction of Online Working Platform for Beijing Administration for Industry and Commerce Bureau (北京市工商局紅盾315網站). The Group was also engaged in the modification of the State Council General Office's main website and the construction of other ministry and departmental branch sites.

Electronic products business

The electronic products business was performing well in 2001 due to the well accepted products such as new body fat scale and glass scale. The decrease in prices of raw material such as plastic, steel iron and electronics parts contributed to decrease in the cost of production and therefore increased the gross profit in this sector.

Electronic components business

As the market for semi-conductor has been deteriorating in the past few years, it affects heavily on the performance of Electronic components business. In order to protect the Group's financial position, the Company entered into a conditional disposal agreement to dispose the Electronic components business and the details were set out in the announcement of the Company on 8 April 2002. A circular contains more information about the disposal will be issued in due course.

FUTURE PROSPECTS

Following the PRC admission to the WTO, external trading activities increase and international investment in the PRC also increase as well. As a result, PRC enterprises must make sustaining efforts to enhance operating efficiency and speed up their information exchange. With real-time communication with overseas business partners, enterprises are faced with the rapid development and fierce competition in the global market. This leads to increasing demand for Internet-based information products and services.

In addition, attributable for Beijing's winning bid for hosting 2008 Olympics, the Beijing Government gives full support of the infrastructure development of the city. Meanwhile, the government is determined to turn Beijing into a "Cyber City" which in turn paves ways for immense demand for different types of networking software products needed for cyber-urbanization, ranging from security network, geographic information technology, enterprise platform and other related networking software technology products and services. And this presents an excellent business opportunity for EC-Founder.

The PRC Government demonstrates full support to this respect. During 2001, it was stressed in the PRC's "Fifteen Year Plan" that capitalization should be adopted to promote industrialization so as to realize leaping progress in productivity, and that Government functions should be transformed in order to push ahead with the reforms in the Government. After the PRC's successful entry into the WTO and its winning bid for hosting the Olympics, the Government now considers to put more resources on the development of e-administration in a bid to strengthen its communication with the public and improve government policies. It is reported that the investment in e-administration in 2002 alone will be approximately RMB 1 billion. Moreover, the Government will also focus its efforts on the PRC advanced technology research and development "Project 863". During the 15-year span of the project, it will input huge investment for support. In particular, the "industrialization of geographic information system" is ranked as a key strategic technological project in "Fifteen Year Plan". Such move will provide tremendous growth opportunity for software technology and services providers.

EC-Founder will continue to focus on the development of its Internet software technology solutions business. Business focus will be placed on network security products, geographic information system, e-finance and enterprise/government information solutions. Complemented with its customer-oriented strategy to cater for market needs, the Group will make great efforts to develop its own advanced products and in joint efforts with international partners other software products in order to step up its marketing and promotion work for a larger market share.

Leveraging on its leading position in the software industry in the PRC, state-of-the-art technology and profound capability in research and development, EC-Founder will be able to further solidify its business foundation, and coupled with the insights and business strategies of the management, capture every upcoming opportunity in the market.

LIQUIDITY AND FINANCIAL RESOURCES

Net Assets

As at 31 December 2001, the Group recorded total assets of approximately HK\$376 million which were financed by liabilities of approximately HK\$192 million and equity of approximately HK\$184 million. The Group's net asset value as at 31 December 2001 decreased by approximately 27% to approximately HK\$184 million as compared to approximately HK\$253 million as at 31 December 2000.

Liquidity

The Group had total cash and bank balances of approximately HK\$118 million as at 31 December 2001 (2000: approximately HK\$98 million). After deducting bank loans and overdrafts of approximately HK\$66 million (2000: approximately HK\$34 million), the Group recorded a net cash balance of approximately HK\$52 million (2000: approximately HK\$64 million). As at 31 December 2001, the Group had the working capital to the ratio of 1.49 (2000: 1.68) and a long term debt to equity ratio of 1.1% (2000: 1.8%) with equity being defined as the total of capital and reserves.

Charge on assets

At 31 December 2001 certain land and buildings in the PRC and overseas of the Group and fixed deposits of approximately HK\$9 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

At 31 December 2001 the Company had contingent liabilities in relation to guarantees given to banks in connection with facilities granted to certain subsidiaries amounting to approximately HK\$50 million.

EMPLOYEE AND REMUNERATION POLICIES

As of 31 December 2001, the Group had approximately 240, 1,350 and 480 employees for the Software business, Electronics products business and Electronics components business, respectively. These employees of which approximately 97% work in the PRC and 3% work in Hong Kong and elsewhere, respectively. The Company has also established a share option scheme and the share options are granted at Directors' discretion to motivate and reward the employees with outstanding performance.

PURCHASE, SALE OR REDEMPTION OF SHARES

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 (the "Code") 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 period covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-laws.

The Company has established an audit committee in accordance with paragraph 14 of the Code throughout the accounting period covered by the annual report.

DETAILED RESULTS ANNOUNCEMENT

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
EC-Founder (Holdings) Company Limited
Cheung Shuen Lung
Chairman

Hong Kong, 23 April 2002

* *For identification purpose only*

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the annual general meeting of EC-Founder (Holdings) Company 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 2002 at 10:00 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 2001.
2. To re-elect the retiring directors and to fix the remuneration of directors.
3. 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:

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 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;
 - (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 Company shall 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 is 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."
7. **"THAT** subject to and conditional upon the Stock Exchange granting approval for the listing of and permission to deal in the shares which may fall to be issued by the Company pursuant to the exercise of options granted under the New Share Option Scheme (as defined in the circular to be despatched to the shareholders of the Company, the New Share Option Scheme (the rules of which are set out in the printed document marked "A" produced to this meeting and for the purpose of identification signed by the Chairman) be and is hereby approved and adopted in replacement of the existing share option scheme adopted by the Company on 7 May 2001 (the "Existing Holding Share Option Scheme") and that the board of directors of the Company be and is hereby authorised to do all such acts and to take all such steps and actions and to execute all such documents on behalf of the Company as may be necessary or expedient in order to give effect to the New Share Option Scheme, including without limitation, to issue and allot shares in the capital of the Company on terms therein mentioned."
8. **"THAT** subject to and conditional upon the passing of Resolution no. 7 set out in this Notice and the New Share Option Scheme taking effect in accordance with its terms, the Existing Share Option Scheme be hereby terminated."

By Order of the Board
EC-Founder (Holdings) Company Limited
Tang Yuk Bo, Yvonne
Company Secretary

Hong Kong, 23 April 2002

Notes:

1. Any member entitled to attend and vote at the annual general meeting is entitled to appoint another person as his proxy to attend and, on a poll, vote instead of him. A member 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 personally or by proxy 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 notorially 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 member from attending and voting in person at the meeting or at any adjourned meeting.