

[For immediate release]

EC-Founder Announces 2004 Interim Results Turnover increase by 3.8 times to HK\$532 million

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(Hong Kong, 10 September 2004) EC-Founder (Holdings) Company Limited (“EC-Founder”, or the “Group”) (stock code: 0618), a leading PRC information technology company, today announced its interim results for the period ended 30 June 2004.

For the period under review, the turnover increased substantially by 3.8 times to approximately HK\$531,711,000 (2003: HK\$111,502,000), the net loss attributable to shareholders of EC-Founder was approximately HK\$43,288,000 (2003: loss of HK\$206,000) and the loss per share was HK 3.93 cents (2003: loss HK 0.03 cents). The board of directors does not recommend the payment of interim dividend.

The substantial improvement of the Group’s result for the period was mainly due to:

- (a) complete the acquisition of distribution of information products business in July 2003 and recorded turnover of approximately HK\$503,656,000 and segmental profit of approximately HK\$2,945,000 in the first half year of 2004;
- (b) the loss attributable to shareholders was due to the impairment of goodwill HK\$43,500,000. If the impairment of goodwill was excluded, then the results for the period has turnaround into profit attributable to shareholders of approximately HK\$212,000 (2002: loss of HK\$206,000).

The impairment of goodwill was due to the continuous loss of Software business and hence its value of goodwill was impaired. As permitted under the previous accounting policy, the Group has written off the goodwill against its consolidation reserves. However, under present accounting policy, it required the impairment of goodwill to be reflected in the income statement and reverse the amount out from consolidation reserves which was previously written off. There was no effect on the Group’s net assets regarding this treatment of impairment of goodwill.

Distribution of Information Products Business

The turnover of Distribution business for the period increased by 63% to approximately HK\$503,656,000 (2003: HK\$ 309,962,000) and the segmental profit increased by 93% to approximately HK\$2,945,000 (2003: HK\$1,481,000). Since the Group completed the acquisition of the Distribution business (Beijing Founder Century Information System Co., Ltd. (“BJ Founder Century) and Founder Century (Hong Kong) Limited) from its controlling shareholder - Founder Holdings Limited (“FHL”) in July 2003, there is no

comparative figures of Distribution business in the Group's segmental results as last year's interim results were included in the accounts of FHL.

The significant improvement was due to:

- a. increase range of products from suppliers such as 華爲 3COM and HP;
- b. increase number of supplier such as in March 2004, it was officially appointed by Apple as one of the distributors in the PRC for all its product lines and at the same time the sole distributor for the server and data storage products;
- c. expansion of distribution network and at present there are a total of 12 branch offices/representative offices (apart from the headquarter in Beijing): in Shanghai, Guangzhou, Chengdu, Shenyang, Shenzhen, Jinan, Nanjing, Wuhan, Hangzhou, Xian, Guiyang and Xizang Zizhiqu;
- d. tight control in operating cost, strengthen control in trade receivable and inventory level and effective financial management.

The Distribution business has established a solid reputation in its sector. For example, BJ Founder Century was awarded by the Computer Commercial Press (電腦商報) in June 2004 as the 6th Best Distributor among the top 500 distributors and also achieved the Best Improvement Award.

The Distribution business has delivered satisfactory results both in the turnover and the profit from last year. Through the expansion both in the products range and the distribution network, it is expected the growth can be sustained.

Software business

The turnover of Software business for the period increased by 4% to approximately HK\$28,055,000 (2003: HK\$ 26,923,000) and segmental loss increased by 74% to approximately HK\$3,560,000 (2003: HK\$ 2,045,000). The performance was affected by the fierce competition in the business and therefore narrowing down the profit margins of projects. The thin contributions from the projects were not enough to cover the overheads of this business and hence resulted in loss making.

As mentioned above, due to continuous loss of the Software business, there was an impairment of the goodwill which related to this business. As required by the Statements of Standard Accounting Practice, the impairment of goodwill was required to be reflected in the Group's income statement even though it has been written off against the Group consolidation reserves previously. The Group will take appropriate measures to further

restructure the Software business as to reduce overhead costs and scale down the loss making business units.

Based on the past years accumulated experience and expertise in the field on e-finance, the Group will continue to concentrate on this sector to provide total solutions to financial institutions and commercial corporations for the services in developing treasury and fund control systems.

Electronic products business - Discontinued operation

The Group decided to concentrate the resources on information technology business and therefore disposed of the Electronic products business which was completed on 26 September 2003. As a result, there was no record of turnover (2003: HK\$84,579,000) and no record of segmental results (2003: profit HK\$2,170,000) for the period ended 30 June 2004.

Conclusion

After PRC's accession into the World Trade Organisation and running up of the Olympic Games of 2008 to be held in Beijing, it is expected the investments in the information technology sector will grow with a double digit compound annual rate over the next five years. Hence, it is expected EC-Founder can benefit from it and continue to grow with the information technology sector in the future.

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**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2004**

UNAUDITED CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	For the six months ended 30 June	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
TURNOVER		
Continuing operations	531,711	26,923
Discontinued operation	-	84,579
	<u>531,711</u>	<u>111,502</u>
Cost of sales	<u>(498,522)</u>	<u>(91,998)</u>
Gross profit	33,189	19,504
Other revenue and gains	1,742	5,598
Selling and distribution costs	(19,710)	(12,595)
Administrative expenses	(16,970)	(15,587)
Other operating income / (expenses), net	(770)	1,308
Impairment of goodwill	<u>(43,500)</u>	<u>-</u>
LOSS FROM OPERATING ACTIVITIES	(46,019)	(1,772)
Finance costs	(45)	(347)
Share of profits of associates	<u>4,256</u>	<u>2,555</u>
PROFIT/(LOSS) BEFORE TAX		
Continuing operations	(41,808)	(1,572)
Discontinued operation	-	2,008
	<u>(41,808)</u>	<u>436</u>
Tax	<u>(1,480)</u>	<u>(642)</u>
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<u>(43,288)</u>	<u>(206)</u>
LOSS PER SHARE - BASIC	<u>(3.93cents)</u>	<u>(0.03cents)</u>

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 contract; and the value of services rendered during the period.

The Group is principally engaged in (i) the distribution of information products (acquired in July 2003); and (ii) the provision of software solutions and services.

The following table presents revenue and profit/(loss) for the Group's business segments for the six months ended 30 June.

	Distribution of information products		Provision of software solutions and services		Electronic products (Discontinued)		Corporate		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:										
Sales to external customers	503,656	-	28,055	26,923	-	84,579	-	-	531,711	111,502
Segment results	2,945	-	(3,560)	(2,045)	-	2,170	(2,290)	(2,104)	(2,905)	(1,979)
Interest income									386	207
Impairment of goodwill									(43,500)	-
Loss from operating activities									(46,019)	(1,772)
Finance costs									(45)	(347)
Share of profits of associates									4,256	2,555
Profit/(loss) before tax									(41,808)	436
Tax									(1,480)	(642)
Net loss from ordinary activities attributable to shareholders									(43,288)	(206)