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**FOUNDER HOLDINGS LIMITED**  
**方正控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00418)**

**FINAL RESULTS ANNOUNCEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

The Board of Directors (the “Board”) of Founder Holdings Limited (the “Company”) is pleased to announce the consolidated results and financial position of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2017 together with the comparative figures.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*Year ended 31 December 2017*

	<i>NOTES</i>	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
REVENUE	4	<b>993,493</b>	1,035,410
Cost of sales		<b>(554,710)</b>	(611,551)
Gross profit		<b>438,783</b>	423,859
Other income and gains	4	<b>124,431</b>	75,810
Selling and distribution expenses		<b>(232,624)</b>	(246,751)
Administrative expenses		<b>(92,987)</b>	(92,113)
Other expenses, net		<b>(140,039)</b>	(109,050)
Finance costs	5	<b>(6,571)</b>	(7,570)
Share of profits/(losses) of associates		<b>233</b>	(29)
PROFIT BEFORE TAX	6	<b>91,226</b>	44,156
Income tax	7	<b>(1,397)</b>	(3,976)
PROFIT FOR THE YEAR		<b>89,829</b>	40,180

	<i>NOTES</i>	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Attributable to:			
Owners of the parent		<b>89,836</b>	40,235
Non-controlling interests		<u>(7)</u>	<u>(55)</u>
		<b><u>89,829</u></b>	<b><u>40,180</u></b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	<b>8</b>		
Basic and diluted		<b><u>HK7.5 cents</u></b>	<b><u>HK3.4 cents</u></b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
PROFIT FOR THE YEAR	<u>89,829</u>	<u>40,180</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of available-for-sale investments, net of tax	15,834	–
Share of other comprehensive income of associates	310	105
Exchange differences on translation of foreign operations	<u>44,026</u>	<u>(32,977)</u>
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	<u>60,170</u>	<u>(32,872)</u>
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:		
Revaluation adjustment of land and buildings, net of tax	<u>16,216</u>	<u>(15,601)</u>
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods	<u>16,216</u>	<u>(15,601)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u>76,386</u>	<u>(48,473)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>166,215</u>	<u>(8,293)</u>
Attributable to:		
Owners of the parent	166,210	(8,227)
Non-controlling interests	<u>5</u>	<u>(66)</u>
	<u>166,215</u>	<u>(8,293)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	<i>NOTES</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>359,419</b>	316,910
Investment properties		<b>117,879</b>	102,684
Investments in associates		<b>3,430</b>	5,155
Available-for-sale investments		<b>19,718</b>	3,467
Intangible assets		–	4,084
Deferred tax assets		<b>2,268</b>	1,975
Pledged deposits		<b>7,201</b>	3,649
		<hr/>	<hr/>
Total non-current assets		<b>509,915</b>	437,924
<b>CURRENT ASSETS</b>			
Inventories		<b>103,810</b>	61,103
Gross amount due from contract customers		<b>17,744</b>	11,704
Trade and bills receivables	9	<b>161,384</b>	133,666
Prepayments, deposits and other receivables		<b>511,569</b>	319,516
Equity investments at fair value through profit or loss		<b>2,287</b>	591
Pledged deposits		<b>7,396</b>	13,638
Cash and cash equivalents		<b>509,277</b>	604,905
		<hr/>	<hr/>
Total current assets		<b>1,313,467</b>	1,145,123
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	10	<b>78,615</b>	54,464
Gross amount due to contract customers		<b>19,247</b>	21,696
Other payables and accruals		<b>358,791</b>	322,301
Interest-bearing bank borrowings		<b>161,119</b>	149,011
Tax payable		<b>5,443</b>	4,408
		<hr/>	<hr/>
Total current liabilities		<b>623,215</b>	551,880
<b>NET CURRENT ASSETS</b>		<hr/> <b>690,252</b> <hr/>	<hr/> 593,243 <hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/> <b>1,200,167</b> <hr/>	<hr/> 1,031,167 <hr/>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>61,033</b>	58,248
		<hr/>	<hr/>
Net assets		<b>1,139,134</b>	972,919
		<hr/> <hr/>	<hr/> <hr/>

	<i>NOTES</i>	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital		<b>119,975</b>	119,975
Reserves		<b>1,018,975</b>	852,765
		<b>1,138,950</b>	972,740
<b>Non-controlling interests</b>		<b>184</b>	179
Total equity		<b>1,139,134</b>	972,919

## NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2017

### 1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, land and buildings classified as property, plant and equipment, available-for-sale investments and equity investments at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12 included in <i>Annual Improvements to HKFRSs 2014–2016 Cycle</i>	<i>Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12</i>

The nature and the impact of the amendments are described below:

- (a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.
- (b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.
- (c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity’s interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group’s financial statements as the Group did not have any disposal group held for sale as at 31 December 2017.

### 3. OPERATING SEGMENT INFORMATION

During the year, for management purposes, the Group combined its four reportable segments namely, (i) software development, systems integration and information products distribution for media business segment, (ii) information products distribution for non-media business segment, (iii) corporate segment, and (iv) “others” segment, into one reportable segment, which is the software development, systems integration and information products distribution.

#### Geographical information

##### (a) Revenue from external customers

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Mainland China	982,089	990,601
Hong Kong	10,673	44,046
Others	731	763
	<u>993,493</u>	<u>1,035,410</u>

The revenue information above is based on the locations of the customers.

##### (b) Non-current assets

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Mainland China	274,852	252,626
Hong Kong	202,363	171,716
Others	3,513	4,491
	<u>480,728</u>	<u>428,833</u>

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

#### Information about major customers

During the year, there was no revenue derived from transactions with a single external customer which individually accounted for 10% or more of the Group's revenue (2016: Nil).

### 4. REVENUE, OTHER INCOME AND GAINS

Revenue 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.

An analysis of revenue, other income and gains is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Revenue</b>		
Software development, systems integration and information products distribution	989,462	1,031,244
Rental income	4,031	4,166
	<u>993,493</u>	<u>1,035,410</u>
<b>Other income</b>		
Bank interest income	3,226	2,849
Other interest income	21,442	10,732
Government grants	54,716	54,462
Others	11,328	4,291
	<u>90,712</u>	<u>72,334</u>
<b>Gains</b>		
Fair value gains on investment properties	14,115	3,399
Foreign exchange differences, net	8,114	–
Fair value gains on equity investments at fair value through profit or loss	1,544	–
Gain on disposal of items of property, plant and equipment	3,086	77
Gain on disposal of intangible assets	6,636	–
Gain on disposal of an associate	224	–
	<u>33,719</u>	<u>3,476</u>
	<u>124,431</u>	<u>75,810</u>

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest on bank borrowings	<u>6,571</u>	<u>7,570</u>

## 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Auditor's remuneration	<b>2,460</b>	2,400
Cost of inventories sold**	<b>387,742</b>	454,047
Cost of services provided**	<b>81,542</b>	77,260
Depreciation	<b>15,202</b>	15,695
Amortisation of patents and acquired software*	<b>1,011</b>	3,063
Minimum lease payments under operating leases	<b>14,651</b>	15,677
Impairment of trade receivables, net*	<b>827</b>	118
Impairment of other receivables*	<b>1,643</b>	7,526
Impairment of available-for-sale investments*	<b>–</b>	3,155
Provision for obsolete inventories**	<b>3,092</b>	5,248
Research and development costs:		
Current year expenditure*	<b>133,605</b>	89,560
Amortisation of capitalised software costs*	<b>1,147</b>	2,358
	<b>134,752</b>	91,918
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	<b>291,342</b>	270,842
Pension scheme contributions***	<b>31,701</b>	22,003
Termination benefits	<b>–</b>	12,990
	<b>323,043</b>	305,835
Foreign exchange differences, net	<b>(8,114)</b>	5,833
Direct operating expenses (including repair and maintenance) arising on rental-earning investment properties	<b>800</b>	763
Fair value losses on equity investments at fair value through profit or loss	<b>–</b>	355

\* These items are included in "Other expenses, net" in the consolidated statement of profit or loss.

\*\* These items are included in "Cost of sales" in the consolidated statement of profit or loss.

\*\*\* At 31 December 2017, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2016: Nil).

## 7. INCOME TAX

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	1,944	363
Current – Mainland China		
Charge for the year	3,525	5,487
Underprovision in prior years	1,863	1,108
Deferred	<u>(5,935)</u>	<u>(2,982)</u>
Total tax charge for the year	<u><u>1,397</u></u>	<u><u>3,976</u></u>

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Taxes on profits assessable in Mainland China have been calculated at the applicable PRC corporate income tax (“CIT”) rate. Certain subsidiaries of the Group are entitled to preferential tax treatments of reduction in the CIT rate to 10% or 15%.

The share of tax attributable to associates amounting to HK\$73,000 (2016: HK\$8,000) is included in “Share of profits/(losses) of associates “ in the consolidated statement of profit or loss.

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,199,746,993 (2016: 1,199,746,993) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2017 and 2016.

## 9. TRADE AND BILLS RECEIVABLES

The Group’s trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Trade and bills receivables are settled in accordance with the terms of the respective contracts. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group’s trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	<b>2017</b>	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 6 months	<b>134,936</b>	106,662
7 to 12 months	<b>8,590</b>	8,684
13 to 24 months	<b>7,552</b>	8,653
Over 24 months	<b>10,306</b>	9,667
	<b>161,384</b>	133,666

Included in the Group's trade and bills receivables are amounts due from subsidiaries of Peking Founder of HK\$12,495,000 (2016: HK\$14,535,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

#### 10. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>2017</b>	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 6 months	<b>36,991</b>	24,425
7 to 12 months	<b>11,305</b>	10,259
13 to 24 months	<b>16,533</b>	7,620
Over 24 months	<b>13,786</b>	12,160
	<b>78,615</b>	54,464

Included in the Group's trade and bills payables are amounts due to subsidiaries of Peking Founder of approximately HK\$1,058,000 (2016: HK\$935,000), which are repayable on credit terms similar to those offered by the related companies to their major customers.

The trade payables are non-interest-bearing and are normally settled on terms of 15 to 90 days.

## **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 (2016: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **PERFORMANCE**

The Group reported a profit attributable to equity holders of the parent for the year ended 31 December 2017 of approximately HK\$89.8 million (year ended 31 December 2016: HK\$40.2 million). The Group's turnover for the current year decreased by 4.0% to approximately HK\$993.5 million (year ended 31 December 2016: HK\$1,035.4 million) due to decrease in sales of information products. Gross profit for the current year increased by 3.5% to HK\$438.8 million compared with last year's HK\$423.9 million. Gross profit ratio increased from 40.9% for the last year to 44.2% for the current year as a result of increase in proportion of sales of software and technical services with higher gross profit margin.

The improvement in the Group's operating results attributable to the equity holders of the parent for the year was mainly the net results of:

- a. an increase in the gross profit by 3.5% to HK\$438.8 million (year ended 31 December 2016: HK\$423.9 million) as a result of increase in proportion of sales of software and technical services;
- b. an increase in other income and gains by 64.1% to HK\$124.4 million (year ended 31 December 2016: HK\$75.8 million) arising from (i) increase in other interest income; (ii) increase in fair value gains on investment properties; and (iii) gain on disposal of intellectual properties; and
- c. an increase in total selling and distribution expenses, administrative expense and other expenses, net by 4.0% to HK\$465.7 million (year ended 31 December 2016: HK\$447.9 million) as a result of expansion of research and development team for the development of new software products.

Basic and diluted earnings per share attributable to equity holders of the parent for the year was HK7.5 cents (year ended 31 December 2016: HK3.4 cents).

## OPERATING REVIEW AND PROSPECTS

### Operating Review

#### *Font Library Business*

Against the backdrop of the government’s vigorous promotion of the cultural market and digital creative industry, the font library, as a culture carrier, has been receiving wider recognition, and the increasing demand for personalized fonts in the design community has created a “font fever” in the market. With a gradual improvement in the copyright environment in China, enterprises and individuals in developed coastal areas have developed a strong awareness of copyright issues, but there are still different opinions regarding the marketing model of fonts in the legal sector and society. Meanwhile, the competition in the industry has intensified with the influx of new font design companies and individual font designers into the font library market.

In 2017, 北京北大方正電子有限公司 (Beijing Founder Electronics Co., Ltd.\*) (“Founder Electronics”), the wholly-owned subsidiary of the Company, continued to consolidate its absolute leading position in the font library market by introducing new fonts that leads a new trend in the font industry.

- 1) Legal aspect: We actively maintain the intellectual property rights of our fonts through legal channels and promote the font copyright through various means to convey the value of fonts.
- 2) Marketing and promotion aspect: Founder Electronics has stepped up in promoting the positive publicity by establishing cooperation relationships with designers, studios and advertising companies, and introducing its fonts to advertisers through design proposals. It also explored the online store market by enhancing the cooperation and interaction with design websites. Moreover, Founder Electronics further cooperated with software, hardware and game manufacturers to launch more creative display fonts and personalized fonts. With the introduction of the Font Library Community, Founder Electronics was able to enhance its interaction with font lovers, customers and designers, thereby achieving seamless connection among Web-Mobile-PC products. As at 31 December 2017, the registered users of Font Library Community reached 105,000, while the number of the contracts signed in online for the year amounted to 6,429.
- 3) Font production aspect: In addition to the establishment of its own exquisite font library, Founder Electronics also strengthened its external cooperation to join hands with independent font designers, medium-to-small font library manufacturers and other manufacturers in Hong Kong, Taiwan, Japan and English-speaking countries with a view to introducing new fonts in a faster and more efficient manner. We completed the design of 41 kinds of 120 fonts in 2017.

## ***Printing business***

The printing industry has entered into a period of deep adjustment, during which the problem of over-capacity throughout the industry, environmental protection requirements and the rise in paper prices have resulted in a significant decrease in the yield rate of printing corporations. In addition, in light of the saturated CTP market and uncertainties in the digital printing market, equipment manufacturers have switched the focus of their competition to the packaging market.

Despite the adverse market environment, 北京方正印捷數碼技術有限公司 (Beijing Founder EasiPrint Digital Technology Co., Ltd.\*) (“Founder EasiPrint”), the wholly-owned subsidiary of the Company, still maintained a moderate business growth with the orders signed in respect of P-series inkjet printers accounted for more than 80% of the overall market in 2017, ranking No. 1 in the industry. Besides, the highly adaptive and cost-effective models launched by Founder EasiPrint have become the market benchmark for the industry. Variable data inkjet printing equipment entered into new markets including drinking water coding, salt coding and printing of clothing tags.

In 2017, Founder EasiPrint focused on investing in and developing the printing on demand (“POD”) project with an aim to achieve industry upgrade through the application of inkjet technology. It also replaced bulk-printing with on-demand printing, and made certain improvements in various stages from design, publishing, production, logistics to issuance in the publication industry with the help of internet and software technology to cater for the need of on-demand printing. In 2017, Founder EasiPrint had extensive communication and exchange with domestic and foreign equipment manufacturers, ancillary equipment manufacturers and consumables manufacturers, and reached the intention for cooperation with certain upstream and downstream enterprises. Furthermore, the construction of a POD testing center in Beijing has been completed. The first POD equipment for library printing has been delivered to the center and put into operation.

## ***Media Business***

The traditional newspaper and publication industry remained subdued, recording a decline in the overall results with the newspaper advertising revenue in free fall over the last few years. Meanwhile, with the top-down requirements such as the policies emphasizing the development of mainstream media, the comprehensive integration of media in the newspaper industry, the strategy to take mobile media as priority, the breakthrough in terms of reform of collecting, editing and publishing as well as the implementation of the “centralized kitchen (中央廚房)” leading project, and under the government’s vigorous promotion of policies in the publishing areas such as “Demonstration of Application Service in the Industrialization of Digital Publication (數字出版產業化應用服務示範工程)”, “Promotion of Nationwide Digital Reading (全民數字閱讀推廣工程)” and “Promotion of Digital Publication in respect of Ethnic Group Culture (少數民族文化數字出版促進工程)”, the media business has embraced new market opportunities.

Against this backdrop, Founder Electronics actively worked on the structure, analysis and application technologies of large-scale data. The “One Platform and Four Systems” was thus rearranged, including the management platform of large-scale data from the integrated media, command system for news reporting, intelligent management system for decision-making and operation management system. Meanwhile, Founder Electronics actively explored the SaaS service by launching Xinkong Cloud, media platform and media service for large-scale data, extending its services from solutions of software products to data services and SaaS services, with a view to laying a solid foundation for sustainable development in the future.

In respect of sales, Founder Electronics actively sought for the cooperation with leading companies in the media publishing area, exerting all efforts in expanding its market share in the areas of new media, pan-media and pan-publishing. Meanwhile, it maintained its strengths in the establishment of platforms for integrated media in the newspaper industry at the province level as well as at the level of provincial capitals and cities, securing projects from tenders of Liaoning Daily, Chengdu Daily and Guangzhou Daily with values over RMB10 million. In 2017, the newly signed contracts in newspaper business recorded high of nearly the past three years. Founder Electronics maintained its absolute leading position in the establishment of the financial media platform (Media Central Kitchen).

### ***Internet Information Business***

Leveraging on the technologies, data and experience accumulated in the past over 10 years, the internet information business of Founder Electronics kept abreast of the national economic development in key cities and contributed to the economic strategy of “One Belt One Road”, which provided support to relevant national authorities in respect of decision-making through the overall solution of “knowledge base” and data analysis capability. Focusing on the understanding of industry features together with results of scientific research carried out by the Institute of Computer Science and Technology of Peking University, the internet information business gradually won the competition of knowledge base, thereby laying a foundation for its business development.

### **PROSPECTS**

To deal with the business growth, the management of the Group will closely monitor changes in the economy and IT market of the People’s Republic of China (the “PRC”). The Group will continue the development of innovative solutions and provide our customers with more cost-effective products and solutions to meet our customers’ demands for enhancing their competitiveness. In addition, the Group will closely monitor the performance of each business sector to achieve effective cost control and maximise shareholders’ value.

## **EMPLOYEES**

The Group has developed its human resources policies and procedures based on performance and merit. The Group ensures that the payments to its employees are competitive and the employees are rewarded based on their performance 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 maintained a share option scheme in place 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 Group had not granted any share options to its eligible directors and employees during the current financial year.

As at 31 December 2017, the number of employees of the Group was approximately 1,278 (31 December 2016: 1,163).

## **FINANCIAL REVIEW**

### **Liquidity, financial resources and capital commitments**

During the year, the Group generally financed its operations with internally generated resources and banking facilities provided by its principal bankers in Hong Kong and the PRC. As at 31 December 2017, the Group had interest-bearing bank borrowings of approximately HK\$161.1 million (31 December 2016: HK\$149.0 million), of which HK\$121.1 million (31 December 2016: HK\$106.4 million) were fixed interest bearing and HK\$40.0 million (31 December 2016: HK\$42.6 million) were floating interest bearing. The bank borrowings were denominated in Hong Kong Dollars ("HKD"), Renminbi ("RMB") and United States Dollars ("U.S. dollars"), and were repayable within one year. The Group's banking facilities were secured by corporate guarantees given by the Company, 北大方正集團有限公司 (Peking University Founder Group Company Limited\*) ("Peking Founder") (a substantial shareholder of the Company), PKU Founder Group Finance Co., Ltd. (北大方正集團財務有限公司) (a subsidiary of Peking Founder), certain of the Group's land and buildings, investment properties and bank deposits.

As at 31 December 2017, the Group recorded total assets of HK\$1,823.4 million which were financed by liabilities of HK\$684.2 million, non-controlling interests of HK\$0.2 million and equity of HK\$1,139.0 million. The Group's net asset value per share as at 31 December 2017 amounted to HK\$0.95 (31 December 2016: HK\$0.81). The Group had total cash and bank balances of HK\$516.7 million as at 31 December 2017 (31 December 2016: HK\$622.2 million). After deducting total bank borrowings of HK\$161.1 million (31 December 2016: HK\$149.0 million), the Group recorded net cash and bank balances of HK\$355.6 million as at 31 December 2017 as compared to HK\$473.2 million as at 31 December 2016. The Group's borrowings, which are subject to little seasonality, consist of mainly short term bank loans and trust receipt loans. As at 31 December 2017, the Group's gearing ratio, measured by the ratio of total borrowings to total shareholders' equity, was 0.14 (31 December 2016: 0.15) while the Group's working capital ratio was 2.11 (31 December 2016: 2.07).

As at 31 December 2017, 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 HKD, RMB and U.S. dollars. Surplus cash is generally placed in banks as short term deposits denominated in HKD, RMB and U.S. dollars.

### **Exposure to fluctuations in exchange rates and related hedges**

The Group operates mainly in Hong Kong and the PRC. For the operations in Hong Kong, most of the transactions are denominated in HKD and U.S. dollars. The exchange rate of U.S. dollars against HKD is relatively stable and the related currency exchange risk is considered minimal. For the operations in the PRC, most of the transactions are denominated in RMB. The conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange controls promulgated by the PRC government. The Group has minimal exposure to exchange rate fluctuation. No financial instrument was used for hedging purposes. The Group will closely monitor the currency exchange risk of RMB in the near term as a result.

### **Contracts**

As at 31 December 2017, the major contracts in hand amounted to approximately HK\$394.0 million (31 December 2016: HK\$393.0 million), which are all expected to be completed within one year.

### **Material acquisitions and disposals of subsidiaries, associates and joint ventures**

The Group had no material acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2017.

### **Charges on assets**

As at 31 December 2017, the Group's land and buildings in Hong Kong of approximately HK\$84.7 million and investment properties of approximately HK\$108.6 million and bank deposits of approximately HK\$14.6 million were pledged to banks to secure banking facilities granted.

### **Future plans for material investments or capital assets**

The Group did not have any concrete future plans for material investments or capital assets as at 31 December 2017. However, the Group always seeks for new investment opportunities in the software development and systems integration business to broaden the revenue and profit base of the Group and enhance shareholders' value in long term.

## **Contingent liabilities**

At 31 December 2017, the Group did not have any significant contingent liabilities.

## **AUDIT COMMITTEE**

The Audit Committee of the Board has reviewed the accounting policies, accounting standards and practices adopted by the Group and the consolidated financial statements and results of the Group for the year ended 31 December 2017.

## **CORPORATE GOVERNANCE**

In the opinion of the directors, the Company has fully complied with all the code provisions as set out in the Corporate Governance Code, contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), throughout the year ended 31 December 2017.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules as the Company’s code of conduct and rules governing dealings by all directors in the securities of the Company. Upon being made specific enquiries by the Company, all directors of the Company confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2017.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the year.

## **SCOPE OF WORK OF ERNST & YOUNG ON THE PRELIMINARY ANNOUNCEMENT**

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2017 have been agreed by the Group’s auditors, Ernst & Young, to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

## **PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT**

The 2017 annual report of the Company containing all the information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders of the Company and published on The Hong Kong Exchanges and Clearing Limited's website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.irasia.com/listco/hk/founder](http://www.irasia.com/listco/hk/founder)) in due course.

By Order of the Board  
**Founder Holdings Limited**  
**Cheung Shuen Lung**  
*Chairman*

Hong Kong, 23 March 2018

*As at the date of this announcement, the board of directors of the Company comprises executive directors of Mr Cheung Shuen Lung (Chairman), Mr Shao Xing (President), Ms Zuo Jin, Mr Hu Bin, Mr Cui Yun Tao and Ms Liao Hang, and the independent non-executive directors of Mr Li Fat Chung, Ms Wong Lam Kit Yee and Mr Chan Chung Kik, Louis.*

\* *For identification purpose only*