

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2011

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 2011 together with the comparative figures.

### CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	Notes	2011 HK\$'000	2010 HK\$'000
<b>REVENUE</b>	4	1,647,234	2,240,732
Cost of sales		(1,298,706)	(1,934,117)
Gross profit		348,528	306,615
Other income and gains	4	76,007	92,895
Selling and distribution costs		(211,282)	(169,435)
Administrative expenses		(57,788)	(67,115)
Other expenses, net		(96,155)	(97,181)
Finance costs	5	(4,122)	(6,339)
Share of profits and losses of associates		(1,593)	6,120
<b>PROFIT BEFORE TAX</b>	6	53,595	65,560
Income tax expense	7	(3,661)	(2,616)
<b>PROFIT FOR THE YEAR</b>		<b>49,934</b>	<b>62,944</b>
Attributable to:			
Owners of the parent		49,913	62,823
Non-controlling interests		21	121
		<b>49,934</b>	<b>62,944</b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	8		
Basic		<b>HK4.4 cents</b>	<b>HK5.6 cents</b>
Diluted		<b>HK4.4 cents</b>	<b>HK5.6 cents</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

31 December 2011

	<i>Notes</i>	<b>2011</b> <b>HK\$'000</b>	<b>2010</b> <b>HK\$'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>184,787</b>	152,453
Investment properties		<b>48,355</b>	39,200
Investments in associates		<b>16,425</b>	135,308
Total non-current assets		<b>249,567</b>	326,961
<b>CURRENT ASSETS</b>			
Inventories		<b>61,775</b>	34,410
Gross amount due from contract customers		<b>146,726</b>	28,061
Trade and bills receivables	9	<b>232,621</b>	290,545
Prepayments, deposits and other receivables		<b>198,261</b>	301,898
Pledged deposits		<b>12,121</b>	13,231
Cash and cash equivalents		<b>440,611</b>	292,987
Total current assets		<b>1,092,115</b>	961,132
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	10	<b>292,566</b>	217,576
Gross amount due to contract customers		<b>18,679</b>	7,611
Other payables and accruals		<b>279,748</b>	305,328
Interest-bearing bank borrowings		<b>76,031</b>	157,282
Tax payable		<b>–</b>	2,578
Total current liabilities		<b>667,024</b>	690,375
<b>NET CURRENT ASSETS</b>		<b>425,091</b>	270,757
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>674,658</b>	597,718
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>10,110</b>	8,452
Net assets		<b>664,548</b>	589,266
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital		<b>113,030</b>	113,030
Reserves		<b>550,609</b>	475,384
		<b>663,639</b>	588,414
<b>Non-controlling interests</b>		<b>909</b>	852
Total equity		<b>664,548</b>	589,266

## 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, 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 and land and buildings, 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 (HK\$’000) except when otherwise indicated.

## 2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>
<i>Improvements to HKFRSs 2010</i>	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

(b) *Improvement to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration

that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- *HKAS 1 Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.
- *HKAS 27 Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

### 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) the software development and systems integration for media business segment provides electronic publishing and broadcasting systems to media companies;
- (b) the software development and systems integration for non-media business segment provides banking and information systems to financial institutions, enterprises and government departments;
- (c) the corporate segment comprises corporate income and expense items; and
- (d) the "others" segment comprises principally the Group's editing services for newspapers and magazines.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that interest income, gain on disposal of an associate, foreign exchange differences, net, finance costs and share of profits and losses of associates as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude pledged deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

	Software development and systems integration for media business		Software development and systems integration for non-media business		Corporate		Others		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	<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>
<b>Segment revenue:</b>										
Sales to external customers	1,115,151	918,521	531,753	1,321,927	-	-	330	284	1,647,234	2,240,732
Intersegment sales	-	14,983	-	-	-	-	-	-	-	14,983
	<u>1,115,151</u>	<u>933,504</u>	<u>531,753</u>	<u>1,321,927</u>	<u>-</u>	<u>-</u>	<u>330</u>	<u>284</u>	<u>1,647,234</u>	<u>2,255,715</u>
<i>Reconciliation:</i>										
Elimination of intersegment sales									-	(14,983)
Revenue									<u>1,647,234</u>	<u>2,240,732</u>
<b>Segment results</b>	<b>43,415</b>	<b>38,735</b>	<b>4,522</b>	<b>16,664</b>	<b>(2,600)</b>	<b>(1,277)</b>	<b>2,004</b>	<b>1,905</b>	<b>47,341</b>	<b>56,027</b>
<i>Reconciliation:</i>										
Interest income									6,370	8,605
Gain on disposal of an associate									6,410	-
Foreign exchange differences, net									(811)	1,147
Finance costs									(4,122)	(6,339)
Share of profits and losses of associates									(1,593)	6,120
Profit before tax									<u>53,595</u>	<u>65,560</u>

	Software development and systems integration for media business		Software development and systems integration for non-media business		Others		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	<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>
<b>Segment assets</b>	<b>554,005</b>	579,434	<b>272,324</b>	242,850	<b>104,491</b>	83,893	<b>930,820</b>	906,177
<i>Reconciliation:</i>								
Elimination of intersegment receivables							<b>(58,615)</b>	(59,907)
Investments in associates							<b>16,425</b>	135,308
Corporate and other unallocated assets							<b>453,052</b>	306,515
Total assets							<b>1,341,682</b>	1,288,093
<b>Segment liabilities</b>	<b>460,400</b>	442,820	<b>188,085</b>	144,383	<b>10,568</b>	10,552	<b>659,053</b>	597,755
<i>Reconciliation:</i>								
Elimination of intersegment payables							<b>(58,615)</b>	(59,907)
Corporate and other unallocated liabilities							<b>76,696</b>	160,979
Total liabilities							<b>677,134</b>	698,827
<b>Other segment information:</b>								
Depreciation	<b>7,430</b>	6,944	<b>353</b>	1,107	<b>16</b>	16	<b>7,799</b>	8,067
Capital expenditure*	<b>8,806</b>	4,382	<b>6</b>	5,035	<b>-</b>	4	<b>8,812</b>	9,421

\* *Capital expenditure consists of additions to property, plant and equipment.*

## Geographical information

### (a) Revenue from external customers

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Hong Kong	694,364	645,010
Mainland China	952,715	1,594,606
Others	155	1,116
	<u>1,647,234</u>	<u>2,240,732</u>

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

### (b) Non-current assets

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Hong Kong	104,468	202,941
Mainland China	128,674	107,736
Others	16,425	16,284
	<u>249,567</u>	<u>326,961</u>

The non-current asset information above is based on the location of assets.

## Information about a major customer

Revenue of approximately HK\$229,095,000 (2010: HK\$409,511,000) was derived from sales by the software development and systems integration for non-media segment to a single customer.

#### 4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's 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.

An analysis of the Group's revenue, other income and gains is as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<b>Revenue</b>		
Software development and systems integration	1,646,904	2,240,448
Others	330	284
	<u>1,647,234</u>	<u>2,240,732</u>
<b>Other income</b>		
Bank interest income	2,028	2,161
Other interest income	4,342	6,444
Gross rental income	1,117	1,214
Government grants	49,325	39,013
Others	3,528	3,870
	<u>60,340</u>	<u>52,702</u>
<b>Gains</b>		
Fair value gains on investment properties	9,155	8,640
Foreign exchange differences, net	–	1,147
Gain on disposal of a subsidiary	–	30,232
Gain on disposal of an associate	6,410	–
Others	102	174
	<u>15,667</u>	<u>40,193</u>
	<u>76,007</u>	<u>92,895</u>

#### 5. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Interest on bank loans wholly repayable within five years	<u>4,122</u>	<u>6,339</u>



## 6. PROFIT BEFORE TAX

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

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Cost of inventories sold	<b>1,146,124</b>	1,758,848
Depreciation	<b>7,799</b>	8,067
Loss on disposal of items of property, plant and equipment	<b>277</b>	47
Foreign exchange differences, net	<b>811</b>	(1,147)
	<b><u>                    </u></b>	<b><u>                    </u></b>

## 7. INCOME TAX

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Group:		
Current – The People's Republic of China (the "PRC")		
Charge for the year	<b>4,706</b>	2,590
(Overprovision)/underprovision in prior years	<b>(1,045)</b>	26
	<b><u>                    </u></b>	<b><u>                    </u></b>
Total tax charge for the year	<b><u>                    </u></b>	<b><u>                    </u></b>

No Hong Kong profits tax has been provided as there are no assessable profits arising in Hong Kong during the year or the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the year (2010: Nil).

PRC corporate income tax represents the tax charged on the estimated assessable profits arising in Mainland China. In general, the PRC subsidiaries of the Group are subject to the PRC corporate income tax rate of 25% except for certain PRC subsidiaries which are entitled to preferential tax rates ranging from 10% to 15%.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

The share of tax attributable to associates amounting to approximately HK\$1,340,000 (2010: HK\$296,000) is included in "Share of profits and losses of associates" in the consolidated income statement.

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

The calculation of basic earnings per share amounts 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 approximately 1,130,300,000 (2010: 1,130,300,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2011 and 2010 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

## 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 aged analysis of the Group's trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Within 6 months	195,169	265,461
7 to 12 months	26,527	15,131
13 to 24 months	10,925	9,953
	<u>232,621</u>	<u>290,545</u>

## 10. TRADE AND BILLS PAYABLES

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Within 6 months	276,103	206,281
7 to 12 months	5,782	7,292
13 to 24 months	7,509	1,467
Over 24 months	3,172	2,536
	<u>292,566</u>	<u>217,576</u>

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 (2010: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **PERFORMANCE**

The Group reported a profit attributable to equity holders of the parent for the year ended 31 December 2011 of approximately HK\$49.9 million (year ended 31 December 2010: HK\$62.8 million). The Group's turnover for the current financial year declined by 26.5% to approximately HK\$1,647.2 million (year ended 31 December 2010: HK\$2,240.7 million) due to the disposal of 北京方正奧德計算機系統有限公司 (Beijing Founder Order Computer Systems Co., Ltd.\*) ("Founder Order") in November 2010. Gross profit for the current year increased by 13.7% to HK\$348.5 million compared with last financial year's HK\$306.6 million. However, gross profit ratio increased from last financial year's 13.7% to 21.2% for the current financial year because Founder Order's systems integration for non-media business had a much lower gross profit margin as compared with that of media business.

Basic and diluted earnings per share attributable to equity holders of the parent for the year was HK4.4 cents (year ended 31 December 2010: HK5.6 cents).

### **OPERATING REVIEW AND PROSPECTS**

#### **(A) Software development and systems integration for media sector ("Media Business")**

The turnover of the Media Business for the current financial year increased by 21.4% to approximately HK\$1,115.2 million (year ended 31 December 2010: HK\$918.5 million) while the segment results recorded a profit of approximately HK\$43.4 million (year ended 31 December 2010: HK\$38.7 million). The gross profit ratio for the Media Business was maintained at 31% for both years.

With the rapid growth and development in printing industry in China under the support by the government, the demand for printing software and systems integration increases accordingly so as to provide high quality and environmental friendly printing products. In addition, under the global change in needs and habit of readers under the rapid development of internet and mobile internet technology, the media industry such as newspaper publishers, television stations put more resources on improving their publishing and broadcasting systems in order to maintain their competitiveness. This leads to the significant improvement in turnover and results of the Media Business during the year.

At present, the massive coverage of iPad and iPhone become the important intelligent terminals for customers. After several years of development of digital reporting systems, Beijing Founder Electronics Co., Ltd. ("Founder Electronics") has achieved good progress in building up the know-how and technology in this area and therefore enjoyed a commanding position in this industry. Founder Electronics developed solutions of iPad and iPhone such as Founder mobile news release

system which includes Back-end content management and distribution systems news system (後端的新聞內容管理和發佈系統) and news reader in iPhone/iPad (iPhone/iPad新聞閱讀器) for various newspaper publishers in the PRC. In April 2011, Founder Electronics was awarded by China Unicom as one of their application cooperation partners (集團級行業應用合作夥伴) to promote the application of mobile editing (移動採編應用). In October 2011, Founder Electronics entered into strategic cooperation agreement on the development of digital publishing system with Press and Publication Bureau of Guangxi Zhuang Autonomous Region (廣西壯族自治區新聞出版局) so as to promote the continuing development of publishing industry in China.

In addition, in March 2011, Founder Electronics obtained the special honors of Radio and Television Technology Innovation Award 2010 (2010廣播電視科技創新獎) by China Radio and TV Equipment Industry Association (中國廣播電視設備工業協會). In April 2011, one of the patents developed by Founder Electronics was awarded as Chinese Outstanding Patented Invention in Beijing (北京市發明專利獎) by the government in Beijing. In May 2011, Founder Electronics obtained the special award of China Creative Communication Award in the third China International Forum on Creative Communication (第三屆中國創意傳播國際論壇) jointly organised by 21st Media Advertising Magazine (《21世紀廣告》雙周刊), Advertising College of Communication University of China (中國傳媒大學廣告學院), Advertising Federation of Hong Kong (香港廣告業聯會) and Beijing CBD Chamber of Media Industry (北京CBD傳媒產業商會). In August 2011, Founder Electronics obtained the special awards of BIRTV2011 products, technologies and applications project (BIRTV2011產品、技術及應用項目獎) selected by the experts from The State Administration of Radio Film and Television (國家廣播電影電視總局), Central National Radio (中央人民廣播電台) and CCTV (中央電視台). In October 2011, Founder Electronics was awarded as The Most Valuable Brand of China's software and information services in 2011 (2011中國軟件和信息服務業最有價值品牌) by China Software Industry Association (中國軟件行業協會) and Shenyang Economy and Information Technology Commission (瀋陽市經濟和信息化委員會). In December 2011, Mr Liu Xiao Kun, the president of the Company, obtained the award of Contribution to China's software industry in ten years (中國軟件產業十年功勳人物) by China Software Industry Association (中國軟件行業協會).

The Group's self-developed and advanced technology computer-to-plate ("CTP") product, Founder DiaoLong (方正雕龍), has received encouraging support and strong demand from both domestic and overseas markets since 2007. The development of the CTP product has enabled the Group to integrate vertically as a software and hardware developer and horizontally as a system integrator and service provider. In June 2011, Founder Electronics entered into sales contract with People's Daily Printing Investment Group Co., Ltd. (人民日報社中聞印務投資集團有限公司) for the sales of CTP systems to the printing centres of People's Daily China News in various cities after the installation of CTP systems for their printing centres in Xian, Wuhan, Fuzhou, Nanjing and Qingdao in 2010. New model of Founder DiaoLong with better services and quality of product output was released in November 2011.

Founder Electronics obtained the special honours of “Key Software Enterprise in National Plan Department of 2010” (2010年度國家規劃佈局內重點軟件企業) and a preferential income tax concession pursuant to the certification as a major new and high technology enterprise (重點高新技術企業). Founder Electronics has obtained this special honour for three consecutive years since 2008 showing its competitiveness and innovative position in the market.

## **(B) Software development and systems integration for non-media sector (“Non-Media Business”)**

The turnover of the Non-Media Business for the current financial year decreased by 59.8% to approximately HK\$531.8 million (year ended 31 December 2010: HK\$1,321.9 million) while its segment results has recorded a profit of approximately HK\$4.5 million (year ended 31 December 2010: HK\$16.7 million).

The major products provided by the Non-Media Business include various information products such as servers, storage devices and workstations of a number of internationally famed and branded information products manufacturers such as IBM, HP, Cisco and Hitachi. The decrease in segment revenue was mainly due to the disposal of Founder Order which was engaged in the Non-Media Business in the PRC in November 2010. The decrease in segment results was due to last year’s results included gain on disposal of Founder Order of HK\$30.2 million.

## **PROSPECTS**

To deal with the business growth, the management will closely monitor changes in China’s economy and its IT market. 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 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 scheme 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 granted share options to its eligible directors and employees during the current financial year.

As at 31 December 2011, the number of employees of the Group was approximately 1,411 (31 December 2010: 1,373).

## FINANCIAL REVIEW

### Liquidity, financial resources and capital commitments

During the current financial 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 2011, the Group had interest-bearing bank borrowings of approximately HK\$76.0 million (31 December 2010: HK\$157.3 million) which were floating interest bearing. The bank borrowings were denominated in Hong Kong Dollars (“HKD”), Renminbi (“RMB”), EURO 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 and 北大方正集團有限公司 (Peking University Founder Group Company Limited\*) (“Peking Founder”), a substantial shareholder of the Company, the Government of the Hong Kong Special Administrative Region under the SME Loan Guarantee Scheme, certain of the Group’s land and buildings and investment properties and bank deposits, and certain of the subsidiary of Peking Founder’s bank deposits.

At 31 December 2011, the Group recorded total assets of HK\$1,341.7 million which were financed by liabilities of HK\$677.1 million, non-controlling interests of HK\$0.9 million and equity of HK\$663.7 million. The Group’s net asset value per share as at 31 December 2011 amounted to HK\$0.59 (31 December 2010: HK\$0.52).

The Group had total cash and bank balances of HK\$452.7 million as at 31 December 2011 (31 December 2010: HK\$306.2 million). After deducting total bank borrowings of HK\$76.0 million (31 December 2010: HK\$157.3 million), the Group recorded net cash and bank balances of HK\$376.7 million as at 31 December 2011 as compared to HK\$148.9 million as at 31 December 2010. 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 2011, the Group’s gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders’ equity, was 0.11 (31 December 2010: 0.27) while the Group’s working capital ratio was 1.64 (31 December 2010: 1.39). At 31 December 2011, 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 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 Mainland China. 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 Mainland China, most of the transactions are denominated in RMB. Given the appreciation of RMB against HKD during the year under review, no financial instrument was used for hedging purposes. It is expected that the appreciation of RMB would have a favourable impact on the Group.

## **Contracts**

At 31 December 2011, the major contracts in hand for the software development and systems integration business amounted to approximately HK\$392.0 million (31 December 2010: HK\$308.7 million), which are all expected to be completed within one year time.

## **Material acquisitions and disposals of subsidiaries and associates**

On 29 August 2011, the Company has entered into a disposal agreement with Founder Information (Hong Kong) Limited, a subsidiary of Peking Founder, to dispose of the entire shareholding interest in EC-Founder (Holdings) Company Limited (“EC-Founder”), an associate of the Company, and to procure its wholly-owned subsidiary, Founder (Hong Kong) Limited (“Founder HK”), to sell the loan of HK\$5.4 million due and owing by EC-Founder to Founder HK for an aggregate consideration of approximately HK\$114.1 million. Details of the disposal are set out in the announcement of the Company dated 29 August 2011 and the circular of the Company dated 20 September 2011. The disposal was completed on 29 December 2011 and a gain of approximately HK\$6.4 million was recorded.

## **Charges on assets**

At 31 December 2011, the Group’s land and buildings in Hong Kong of approximately HK\$53.1 million and investment properties of approximately HK\$47.5 million and bank deposits of approximately HK\$12.1 million were pledged to banks to secure banking facilities granted.

## **Future Plans for Material Investments or Capital Assets**

The Group did not have any future plans for material investments or capital assets as at 31 December 2011.

## **Contingent liabilities**

At 31 December 2011, 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 2011.

## **CORPORATE GOVERNANCE**

In the opinion of the directors, the Company met with the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the year ended 31 December 2011.



## **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. Having made specific enquiry of all directors of the Company, they all confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2011.

## **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.

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

The 2011 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**  
**Fang Zhong Hua**  
*Chairman*

Hong Kong, 27 March 2012

*As at the date of this announcement, the board of directors of the Company comprises executive directors of Mr Fang Zhong Hua (Chairman), Professor Xiao Jian Guo (Deputy Chairman), Mr Liu Xiao Kun (President), Ms Yi Mei, Mr Yang Bin and Mr Wo Fei Yu, and the independent non-executive directors of Mr Li Fat Chung, Ms Wong Lam Kit Yee and Mr Fung Man Yin Sammy.*

\* *For identification purpose only*