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(Incorporated in Bermuda with limited liability)
(Stock Code : 00418)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

INTERIM RESULTS

The board of directors (the “Board”) of Founder Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2012, together with the comparative figures for the corresponding period in 2011. The condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

	<i>Notes</i>	For the six months ended	
		30 June	
		2012	2011
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
REVENUE	2	691,438	761,622
Cost of sales		<u>(544,397)</u>	<u>(610,774)</u>
Gross profit		147,041	150,848
Other income and gains	3	29,665	23,466
Selling and distribution costs		(101,018)	(79,022)
Administrative expenses		(34,992)	(27,093)
Other expenses, net		(54,452)	(38,857)
Finance costs	4	(5,139)	(1,531)
Share of profits and losses of associates		<u>731</u>	<u>16</u>
PROFIT/(LOSS) BEFORE TAX	5	(18,164)	27,827
Income tax expense	6	<u>—</u>	<u>(3,614)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>(18,164)</u>	<u>24,213</u>

		For the six months ended	
		30 June	
		2012	2011
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Attributable to:			
Owners of the parent		(18,179)	24,225
Non-controlling interests		<u>15</u>	<u>(12)</u>
		<u>(18,164)</u>	<u>24,213</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO			
ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic	7	<u>HK(1.61) cents</u>	<u>HK2.14 cents</u>
– Diluted		<u>HK(1.61) cents</u>	<u>HK2.14 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	For the six months ended	
	30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	(18,164)	24,213
OTHER COMPREHENSIVE INCOME		
Share of other comprehensive loss of associates	(31)	—
Exchange differences on translation of foreign operations	(2,132)	7,741
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	(2,163)	7,741
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>(20,327)</u>	<u>31,954</u>
Attributable to:		
Owners of the parent	(20,335)	31,946
Non-controlling interests	<u>8</u>	<u>8</u>
	<u>(20,327)</u>	<u>31,954</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2012

		30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		205,506	184,787
Investment properties		48,355	48,355
Interests in associates		16,538	16,425
Capitalised software costs		3,405	—
		<hr/>	<hr/>
Total non-current assets		273,804	249,567
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		50,503	61,775
Gross amount due from contract customers		48,152	146,726
Trade and bills receivables	8	327,446	232,621
Prepayments, deposits and other receivables		486,443	198,261
Pledged deposits		12,232	12,121
Cash and cash equivalents		278,654	440,611
		<hr/>	<hr/>
Total current assets		1,203,430	1,092,115
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade and bills payables	9	95,620	292,566
Gross amount due to contract customers		28,052	18,679
Receipts in advance, other payables and accruals		422,283	279,748
Interest-bearing bank borrowings		274,547	76,031
		<hr/>	<hr/>
Total current liabilities		820,502	667,024
		<hr/>	<hr/>
NET CURRENT ASSETS		382,928	425,091
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		656,732	674,658
		<hr/>	<hr/>

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
NON-CURRENT LIABILITIES		
Deferred tax liabilities	<u>10,041</u>	<u>10,110</u>
Net assets	<u>646,691</u>	<u>664,548</u>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	113,030	113,030
Reserves	<u>532,744</u>	<u>550,609</u>
	645,774	663,639
Non-controlling interests	<u>917</u>	<u>909</u>
Total equity	<u>646,691</u>	<u>664,548</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2012

1. ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2012 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2011, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period’s financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income taxes – Deferred Tax: Recovery of Underlying Assets</i>

The adoption of the above HKFRSs has had no significant impact on the accounting policies of the Group and the methods of computation in the Group’s condensed consolidated interim financial statements.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services. The following table presents revenue and results for the Group’s segments for the six months ended 30 June 2012 and 2011:

	Software development and systems integration for media business		Software development and systems integration for non-media business		Corporate		Others		Total	
	2012 (Unaudited) HK\$’000	2011 (Unaudited) HK\$’000	2012 (Unaudited) HK\$’000	2011 (Unaudited) HK\$’000	2012 (Unaudited) HK\$’000	2011 (Unaudited) HK\$’000	2012 (Unaudited) HK\$’000	2011 (Unaudited) HK\$’000	2012 (Unaudited) HK\$’000	2011 (Unaudited) HK\$’000
Segment revenue:										
Sales to external customers	405,838	448,417	285,428	313,055	-	-	172	150	691,438	761,622
Segment results	(21,339)	24,857	7,632	5,148	(6,363)	(4,193)	134	116	(19,936)	25,928
<i>Reconciliation:</i>										
Interest income and unallocated gains									6,180	3,414
Finance costs									(5,139)	(1,531)
Share of profits and losses of associates									731	16
Profit/(loss) before tax									<u>(18,164)</u>	<u>27,827</u>

3. OTHER INCOME AND GAINS

	For the six months ended	
	30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	1,990	775
Other interest income	4,190	1,757
Gross rental income	641	571
Government grants	21,287	18,010
Foreign exchange differences, net	—	882
Others	1,557	1,471
	<u>29,665</u>	<u>23,466</u>

4. FINANCE COSTS

	For the six months ended	
	30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans	5,139	1,531

5. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended	
	30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	4,915	4,807
Gain on disposal of items of property, plant and equipment	(33)	(25)
Impairment of trade receivables	4,473	851
Impairment of other receivables	1,208	1,302
Provision/(reversal of provision) for obsolete inventories	(164)	8,538
Foreign exchange differences, net	310	(882)

6. INCOME TAX

	For the six months ended	
	30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Group:		
Current – The People’s Republic of China (the “PRC”)		
Charge for the period	–	4,393
Overprovision in prior years	–	(779)
	<hr/>	<hr/>
Total tax charge for the period	–	3,614
	<hr/> <hr/>	<hr/> <hr/>

No Hong Kong profits tax has been provided as there are no assessable profits arising in Hong Kong during the period or the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the period (six months ended 30 June 2011: 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\$239,000 (six months ended 30 June 2011: HK\$1,515,000) is included in “Share of profits and losses of associates” in the consolidated income statement.

7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings/(loss) per share amount is based on the unaudited loss for the period attributable to ordinary equity holders of the parent of approximately HK\$18,179,000 (six months ended 30 June 2011: profit of HK\$24,225,000), and the weighted average number of ordinary shares of approximately 1,130,300,000 (six months ended 30 June 2011: 1,130,300,000) in issue during the period.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the six months ended 2012 and 2011 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

8. 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 receivables 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:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Within 6 months	292,907	195,169
7 to 12 months	24,333	26,527
13 to 24 months	10,206	10,925
	327,446	232,621

Included in the Group's trade and bills receivables are amounts due from subsidiaries of 北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder"), a substantial shareholder of the Company, of approximately HK\$511,000 (31 December 2011: HK\$1,416,000), and a subsidiary of EC-Founder (Holdings) Company Limited ("EC-Founder"), in which a 32.84% equity interest was held by a subsidiary of Peking Founder, of approximately HK\$181,000 (31 December 2011: HK\$11,373,000), which are repayable on similar credit terms to those offered to the major customers of the Group.

* For identification purpose only

9. 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:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Within 6 months	73,754	276,103
7 to 12 months	12,239	5,782
13 to 24 months	4,688	7,509
Over 24 months	4,939	3,172
	<u>95,620</u>	<u>292,566</u>

Included in the Group's trade and bills payables are amounts due to subsidiaries of Peking Founder of approximately HK\$4,983,000 (31 December 2011: HK\$3,023,000), and a subsidiary of EC-Founder of approximately HK\$370,000 (31 December 2011: HK\$1,125,000), which are repayable on similar credit terms 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.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

The Group reported an unaudited consolidated loss attributable to equity holders of the parent for the six months ended 30 June 2012 of HK\$18.2 million (six months ended 30 June 2011: profit of HK\$24.2 million). The Group recorded a decrease in turnover during the current interim period by approximately 9.2% to HK\$691.4 million (six months ended 30 June 2011: HK\$761.6 million) due to the decline in sales of publishing systems from traditional publishers which were facing severe market competition from new media, and the decline in sales of HP products to a subsidiary of EC-Founder (Holdings) Company Limited (“EC-Founder”), a related company of the Company. The gross profit margin was maintained at around 20% to 21%.

The decline in the Group’s operating results for the period attributable to the equity holders of the parent was mainly the net results of:

- a. a decrease in the revenue of software development and systems integration for media and non-media sector by 9.2% to HK\$691.4 million (six months ended 30 June 2011: HK\$761.6 million);
- b. an increase in total selling and distribution costs, administrative expenses and other expenses, net by 31.4% to HK\$190.5 million (six months ended 30 June 2011: HK\$145.0 million) as a result of expansion of sales and research and development teams to maintain growth and profitability under the competitive operating environment; and
- c. an increase in finance costs due to increase in usage of banking facility during the period.

Basic and diluted loss per share attributable to equity holders of the parent for the current interim period were HK1.61 cents (six months ended 30 June 2011: earnings of HK2.14 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 interim period decreased by 9.5% to approximately HK\$405.8 million (six months ended 30 June 2011: HK\$448.4 million) while the segment results recorded a loss of approximately HK\$21.3 million (six months ended 30 June 2011: profit of HK\$24.9 million). The gross profit margin for the Media Business was maintained at around 32% to 34%.

At present, the technology of cloud computing is now widely used in various industries and ways and is useful for analysis and decision making. In February 2012, the Group’s principal subsidiary, Beijing Founder Electronics Co., Ltd. (“Founder Electronics”) was awarded by Innovation Cloud 2012 Cloud innovative products and application projects TOP10 enterprises (Innovation Cloud 2012 雲創新產品與應用項目TOP10企業) by CSDN (the largest Chinese networking website) in Fourth China Cloud Computing Conference (第四屆中國雲計算大會). In April 2012, Founder Electronics obtained the award of 2011 advanced industry process improvement enterprise (2011年度過程改進行業先進企業獎) from China Software Industry Association branch systems and software process improvement (中國軟件行業協會系統與軟件過程改進分會). In July 2012, it obtained 2011 Zhongguancun Top 100 high growth enterprise (2011中關村高成長企業TOP100) from Beijing Zhongguancun High-tech Enterprises Association (北京中關村高新技術企業協會).

In addition, rapid growth of internet users (including mobile phone internet users) in the PRC leads to the change to digitalised reading habit. This creates great challenges and opportunities for traditional publishers and printing companies. This temporarily affect the sales of publishing systems as the customers are undergoing restructuring to face the severe market competition from new media. Readers are more focus on digital and environmental friendly printing. Founder Electronics provided Printing digital workflow solutions (印刷數字化全流程解決方案) for printing companies to cope with the future development of printing companies.

In May 2012, 方正暢流5.1 was launched to the market which further improve the efficiency, reliability and accuracy in document handling.

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

The turnover of the Non-Media Business for the current interim period decreased by 8.8% to approximately HK\$285.4 million (six months ended 30 June 2011: HK\$313.1 million) while its segment results has recorded a profit of approximately HK\$7.6 million (six months ended 30 June 2011: HK\$5.1 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 HP, Cisco and Hitachi. The decrease in segment revenue was mainly due to decrease in sales of HP products to a subsidiary of EC-Founder, a related company of the Company.

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 had not granted any share options to its eligible directors and employees during the current period.

At 30 June 2012, the number of employees of the Group was approximately 1,389 (31 December 2011: 1,411).

FINANCIAL REVIEW

Liquidity, financial resources and capital commitments

During the current interim period, 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 30 June 2012, the Group had interest-bearing bank borrowings of HK\$274.5 million (31 December 2011: HK\$76.0 million) which are 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 and Peking Founder, the Government of the Hong Kong Special Administrative Region under the SME Loan Guarantee Scheme, certain of the Group's land and buildings, investment properties and bank deposits. At 30 June 2012, the Group recorded total assets of HK\$1,477.2 million which were financed by liabilities of HK\$830.5 million, non-controlling interests of HK\$0.9 million and equity of HK\$645.8 million. The Group's net asset value per share as at 30 June 2012 amounted to HK\$0.57 (31 December 2011: HK\$0.59).

The Group had total cash and bank balances of HK\$290.9 million as at 30 June 2012 (31 December 2011: HK\$452.7 million). After deducting total bank borrowings of HK\$274.5 million (31 December 2011: HK\$76.0 million), the Group recorded net cash and bank balances of HK\$16.4 million as at 30 June 2012 as compared to HK\$376.7 million as at 31 December 2011. The Group's borrowings, which are subject to little seasonality, consist of mainly short term bank loans and trust receipt loans. As at 30 June 2012, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders' equity, was 0.42 (31 December 2011: 0.11) while the Group's current ratio was 1.47 (31 December 2011: 1.64).

At 30 June 2012, 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. 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 30 June 2012, the major contracts in hand for the software development and systems integration business amounted to approximately HK\$506.4 million (31 December 2011: HK\$392.0 million), which are all expected to be completed within one year time.

Material acquisitions and disposals of subsidiaries and associates

The Group had no material acquisition or disposals of subsidiaries and associates during the six months ended 30 June 2012.

Charges on assets

At 30 June 2012, the Group's land and buildings in Hong Kong of approximately HK\$53.0 million, investment properties of approximately HK\$47.5 million and bank deposits of approximately HK\$12.2 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 30 June 2012.

Contingent liabilities

At 30 June 2012, the Group did not have any significant contingent liabilities.

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 period.

CORPORATE GOVERNANCE

None of the directors of the Company is aware of any information which would reasonably indicate that the Company has not, throughout the six months ended 30 June 2012, complied with the code provisions of the Code of Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted a model code of conduct regarding securities transactions by directors of the Company on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions as set out in Appendix 10 of the Listing Rules.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's condensed consolidated interim financial statements for the six months ended 30 June 2012, including the accounting principles adopted by the Group, with the Company's management.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The 2012 interim 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) and the Company's website (www.irasia.com/listco/hk/founder) in due course.

By Order of the Board
FOUNDER HOLDINGS LIMITED
Fang Zhong Hua
Chairman

Hong Kong
28 August 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, Professor 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*