



FOUNDER HOLDINGS LIMITED 方正控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code : 0418)

Websites: www.founder.com.hk www.irasia.com/listco/hk/founder

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

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 2006 together with the comparative figures. The consolidated financial statements have been reviewed by the audit committee of the Company.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

	Notes	2006 HK\$'000	2005 HK\$'000
REVENUE	2	2,115,920	2,593,915
Cost of sales		<u>(1,816,879)</u>	<u>(2,284,040)</u>
Gross profit		299,041	309,875
Other income and gains		70,978	88,693
Selling and distribution costs		(178,547)	(186,765)
Administrative expenses		(94,621)	(107,374)
Other expenses, net		(61,283)	(47,241)
Finance costs	4	(1,480)	(1,142)
Share of profits and losses of associates		<u>3,194</u>	<u>10,250</u>
PROFIT BEFORE TAX	3	37,282	66,296
Tax	5	(1,027)	(5,052)
PROFIT FOR THE YEAR		<u>36,255</u>	<u>61,244</u>
Attributable to:			
Equity holders of the parent		25,911	47,929
Minority interests		<u>10,344</u>	<u>13,315</u>
		<u>36,255</u>	<u>61,244</u>

**EARNINGS PER SHARE ATTRIBUTABLE
TO ORDINARY EQUITY HOLDERS OF
THE PARENT — BASIC**

6 **2.3 cents** 4.3 cents

CONSOLIDATED BALANCE SHEET

31 December 2006

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		67,769	63,329
Investment properties		25,360	23,110
Goodwill		—	7,055
Interests in associates		95,446	44,184
Total non-current assets		<u>188,575</u>	<u>137,678</u>
CURRENT ASSETS			
Inventories		34,609	171,076
Systems integration contracts		70,735	44,743
Trade and bills receivables	7	181,022	360,297
Prepayments, deposits and other receivables		49,087	119,312
Equity investments at fair value through profit or loss		2,350	1,981
Pledged deposits		35,581	72,536
Cash and cash equivalents		230,057	414,886
Total current assets		<u>603,441</u>	<u>1,184,831</u>
CURRENT LIABILITIES			
Trade and bills payables	8	95,295	438,263
Other payables and accruals		287,836	371,726
Interest-bearing bank borrowings		—	40,614
Tax payable		4	1,012
Total current liabilities		<u>383,135</u>	<u>851,615</u>
NET CURRENT ASSETS		<u>220,306</u>	<u>333,216</u>
Net assets		<u>408,881</u>	<u>470,894</u>

EQUITY

Equity attributable to equity holders of the parent

Issued capital	112,380	112,380
Reserves	290,913	255,873
	<u>403,293</u>	<u>368,253</u>
Minority interests	5,588	102,641
Total equity	<u>408,881</u>	<u>470,894</u>

Notes:

1.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include 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, certain land and buildings and equity investments, 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.

1.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year’s financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The principal changes in accounting policies are as follows:

(a) **HKAS 21 *The Effects of Changes in Foreign Exchange Rates***

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group’s net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 December 2006 or 31 December 2005.

(b) HKAS 39 *Financial Instruments: Recognition and Measurement*

(i) Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*. The adoption of this amendment has had no material impact on these financial statements.

(ii) Amendment for the fair value option

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on the financial statements.

(iii) Amendment for cash flow hedge accounting of forecast intragroup transactions

This amendment has revised HKAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transactions, the amendment has had no effect on these financial statements.

(c) HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*

The Group has adopted this interpretation as of 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This interpretation has had no material impact on these financial statements.

1.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 - Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32.

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard requires the disclosures of information about the operating segments of the Group, the products and services provided by the segments, the geographical areas in which the Group operates, and revenues from the Group's major customers. This standard will supersede HKAS 14 *Segment Reporting*.

HK(IFRIC)-Int 7, HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10, HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1 March 2006, 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007 and 1 January 2008, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment and HKFRS 7 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2. REVENUE AND SEGMENT INFORMATION

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.

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2006 and 2005.

	Software development and systems integration for media business		Software development and systems integration for non-media business		Distribution of information products		Corporate		Others		Eliminations		Consolidated	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Segment revenue:														
Sales to external customers	511,634	510,054	306,859	186,626	1,289,258	1,876,749	—	—	8,169	20,486	—	—	2,115,920	2,593,915
Intersegment sales	2,077	3,227	—	—	41,448	23,903	—	—	—	—	(43,525)	(27,130)	—	—
Other income and gains	34,252	40,173	5,545	5,057	299	293	9,765	18,105	305	118	—	—	50,166	63,746
Total	547,963	553,454	312,404	191,683	1,331,005	1,900,945	9,765	18,105	8,474	20,604	(43,525)	(27,130)	2,166,086	2,657,661
Segment results	1,251	15,143	4,045	(1,577)	20,361	20,773	(11,300)	(3,217)	399	1,119			14,756	32,241
Interest income and unallocated gains													20,812	24,947
Finance costs													(1,480)	(1,142)
Share of profits and losses of associates	—	—	—	—	(1,542)	—	—	—	—	—	—	—	3,194	10,250
Profit before tax													37,282	66,296
Tax													(1,027)	(5,052)
Profit for the year													36,255	61,244

	Software development and systems integration for media business		Software development and systems integration for non-media business		Distribution of information products		Others		Eliminations		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets and liabilities												
Segment assets	366,256	330,541	265,990	135,486	—	750,430	7,411	8,946	(427)	(5,691)	639,230	1,219,712
Interests in associates	13,060	13,259	—	—	66,008	—	—	—	—	—	95,446	44,184
Corporate and other unallocated assets	—	—	—	—	—	—	—	—	—	—	57,340	58,613
Total assets											792,016	1,322,509
Segment liabilities	175,350	155,706	205,742	119,280	—	538,823	1,477	2,780	—	(5,361)	382,569	811,228
Corporate and other unallocated liabilities	—	—	—	—	—	—	—	—	—	—	566	40,387
Total liabilities											383,135	851,615
Other segment information:												
Depreciation	9,379	7,925	1,678	1,852	1,249	1,528	764	1,387			13,070	12,692
Capital expenditure	14,112	7,793	970	1,066	2,452	1,266	146	1,355			17,680	11,480

(b) Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2006 and 2005.

	Hong Kong		Mainland China		Overseas		Eliminations		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	147,572	210,335	1,956,250	2,311,594	12,098	71,986	—	—	2,115,920	2,593,915
Intersegment sales	284,576	314,912	—	140	—	—	(284,576)	(315,052)	—	—
Other income and gains	10,890	29,117	37,709	30,515	1,567	4,114	—	—	50,166	63,746
Total	443,038	554,364	1,993,959	2,342,249	13,665	76,100	(284,576)	(315,052)	2,166,086	2,657,661

	Hong Kong		Mainland China		Overseas		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information:								
Segment assets	148,342	207,056	618,656	1,088,953	25,018	26,500	792,016	1,322,509
Capital expenditure	146	62	17,532	9,062	2	2,356	17,680	11,480

3. PROFIT BEFORE TAX

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

	2006	2005
	HK\$'000	HK\$'000
Cost of inventories sold	1,701,794	2,184,362
Depreciation	13,070	12,692
Loss on disposal of items of property, plant and equipment	126	216
Gain on partial disposal of subsidiaries	(17,810)	—
Gain on disposal of subsidiaries	—	(21,939)
Gain on deemed partial disposal of subsidiaries	—	(10,652)
	<u>1,701,794</u>	<u>2,184,362</u>

4. FINANCE COSTS

	2006	2005
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	1,438	1,142
Interest on finance leases	42	—
	<u>1,480</u>	<u>1,142</u>

5. TAX

	2006	2005
	HK\$'000	HK\$'000
Current — Hong Kong	8	16
Current — Elsewhere	1,019	2,645
Deferred	—	2,391
	<u>1,027</u>	<u>5,052</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

Taxes on overseas profits have been calculated at the applicable rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The corporate income tax provision of the People's Republic of China (the "PRC") in respect of operations in the PRC is calculated at the applicable tax rates on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

Beijing Founder Apabi Technology Co., Ltd. ("PRC Apabi"), a wholly-owned PRC subsidiary of the Group, is exempted from PRC corporate income tax for the three fiscal years which commenced in 2006 and ending on 31 December 2008 and, thereafter, will be taxed at 50% of its standard tax rate in the fourth to sixth years, inclusive. At present, the standard tax rate applicable to PRC Apabi is 15%.

The share of tax attributable to associates amounting to approximately HK\$1,819,000 (2005: HK\$2,853,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

6. 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 of approximately HK\$25,911,000 (2005: HK\$47,929,000), and the weighted average number of approximately 1,123,800,000 (2005: 1,123,800,000) ordinary shares in issue during the year.

Diluted earnings per share amounts for the years ended 31 December 2006 and 2005 have not been calculated as the impact of the outstanding share options did not have a dilutive effect for both years presented.

7. 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. Trade receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables, net of provisions, as at the balance sheet date is as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Within 6 months	155,925	326,949
7-12 months	12,232	18,775
13-24 months	12,033	13,201
Over 24 months	832	1,372
	<u>181,022</u>	<u>360,297</u>

8. TRADE AND BILLS PAYABLES

An aged analysis of trade and bills payables as at the balance sheet date is as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Within 6 months	90,693	433,201
7-12 months	938	1,326
13-24 months	2,525	1,935
Over 24 months	1,139	1,801
	<u>95,295</u>	<u>438,263</u>

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 (2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

The Group reported a profit attributable to equity holders of the parent for the year ended 31 December 2006 of approximately HK\$25.9 million (2005: HK\$47.9 million). The Group's turnover for the current financial year decreased by 18.4% to approximately HK\$2,115.9 million (2005: HK\$2,593.9 million) as a result of the partial disposal of EC-Founder (Holdings) Company Limited ("EC-Founder") which became the Group's associates on 31 July 2006. On the contrary, gross profit ratio increased from last financial year's 11.95% to 14.13% for the current financial year because EC-Founder's distribution business of information products had a much lower gross profit percentage as compared to the business of software development and systems integration. The Group recorded a gain on partial disposal of EC-Founder of approximately HK\$17.8 million which is included as other income and gains in the current financial year.

Basic earnings per share for the year was HK2.3 cents (2005: HK4.3 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 slightly by 0.3% to approximately HK\$511.6 million (year ended 31 December 2005: HK\$510.1 million) while the segment results recorded a profit of approximately HK\$1.3 million (year ended 31 December 2005: HK\$15.1 million). However, the gross profit ratio for the Media Business has increased by 1% to 39.2% from last financial year’s 38.2%. The Media Business recorded a significant decrease in segment result because last year’s segment results included the gain on deemed partial disposal of subsidiaries of approximately HK\$10.7 million (year ended 31 December 2006: nil). However, due to the completion and revenue recognition of a number of systems integration contracts during the second half of the current financial year, the Media Business recorded a segment profit of approximately HK\$32.9 million compared with HK\$25.5 million for the six months ended 31 December 2005.

During the year the Group has allocated more resources for new products development and market exploration and Beijing Founder Apabi Technology Co., Ltd. (北京方正阿帕比技術有限公司) was incorporated in April 2006 to further develop and market the Group’s prize-award technology, Founder Apabi Digital Right Management System (DRM), CEB electronic file format and a series of paperless products such as e-Library, e-Book, e-Document and e-Stamp. Our e-Library and e-Book Systems have been adopted by more than 2,900 schools, universities, public libraries, education web sites, governmental bureaus and private enterprises in the PRC and overseas. Over 400 publishing houses have cooperated with us for the production of e-books using our network publishing total solutions, Founder Apabi e-Book Solutions. At the end of the current financial year, we have produced over 250,000 e-books which are being offered to the retail market through our own on-line bookshop “www.apabi.com” (阿帕比閱讀網) and a number of popular portals. As the Group estimated that the further development of the e-Book business will require large investment amounts, therefore it is envisaged that the e-Book business is still a minor contributor to the Media Business segment results in the years to come.

Besides our traditional graphic arts and e-publishing software solutions for the needs of newspaper and publishing houses, our new product, Founder EasiPrint Digital Printing System (“EasiPrint”) (印捷數碼印刷系統), was also well received by the market. More and more partners have joined our franchising digital printing shops. At present, we have approximately one hundred franchising digital printing shops over different provinces in the PRC. During the current financial year, the Group has also started to open up its own digital printing shops and plan to further expand its own-shop network in the future. By enriching its franchise and own-shop network, enhancing the co-operation with the suppliers and exploring the possible business application opportunities for EasiPrint, the Group is confident that the EasiPrint business will continue to gain market share in the PRC’s digital printing business.

In June 2006, the Group's flagship software development arm, Beijing Founder Electronics Co., Ltd. ("Founder Electronics"), was awarded one of the ten most valuable software enterprise (十大最具價值軟件企業) in the PRC and our EasiPrint Digital Printing System (印捷數碼印刷系統) was awarded one of the most value-adding potential software product (最具增值潛力軟件產品) in the PRC in the 10th China International Software Exhibition (二零零六年第十屆中國國際軟件博覽會) and in September 2006, the Group's well-renowned publishing software, FIT (飛騰集成排版軟件) was awarded one of the ten most innovative software product (中國十大創新軟件產品) in the PRC in The 2nd China (Nanjing) International Software Product Expo (第二屆中國(南京)國際軟件產品博覽會). In August 2006, Founder Electronics, was awarded one of the most innovative and advance IT entity (資訊產業科技創新先進集體) in the National IT Industry Innovation Conference (全國資訊產業科技創新會議) organized by the China Information Industry Net (中國資訊產業網). On 10 November 2006, Founder Electronics, was awarded as one of the top 100 IT corporation (2006年中國商業科技100強白皮書, 中國商業科技100強) in the PRC by Information Week (《信息周刊》).

(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 increased by 64.4% to approximately HK\$306.9 million (2005: HK\$186.6 million) while its segment results has turned back from 2005's loss of approximately HK\$1.6 million to the current financial year's profit of approximately HK\$4.0 million.

Coupled with the continued effort for tight cost control and the increase in marketing activities, the Non-media Business has turned back to profit in the current financial year after incurring losses for two consecutive years. During the current financial year, the Non-media Business was mainly focused on the systems integration business for the finance and securities industries and government bureaus in the PRC.

In June 2006, the Group's non-media operating arm, Beijing Founder Order Computer System Co., Ltd. ("Founder Order") was ranked one of the top 30 systems integrators in the PRC by the Computer Partner World (電腦商報). In addition, Founder Order was ranked the top three systems integrators for the PRC's finance and securities industries by Smart Partner (計算機產品與流通) in June 2006. In addition to being a CISCO gold certified partner, Founder Order is also a state-certified high-tech enterprise and first-class systems integrator with certifications in ISO9000 and CMML2. The Group is confident that the Non-media Business will become one of the leading systems integrator in the PRC with its sound and solid technology and knowledge base, long history of R&D and quality assurance system.

(C) *Distribution of information products ("Distribution Business")*

The turnover of the Distribution Business for the current financial year decreased by 31.3% to approximately HK\$1,289.3 million (2005: HK\$1,876.7 million) while its segmental profit reported approximately HK\$20.4 million (2005: HK\$20.8 million).

The Distribution Business was partially disposed of in July 2006 as a result of the Company's partial disposal of 21.85% equity interest in EC-Founder which became the Company's associated company and the segment results for the current financial year represented the January to July's operating results of the Distribution Business. At present, the Distribution Business has developed an efficient and effective distribution channel and network with branch offices/representative offices spanning 21 major cities in the PRC.

The Distribution Business has been awarded by various upstream vendors such as HP and Huawei-3Com for its excellent distribution services in terms of distribution channel, coverage, growth and overall performance in the PRC. In June 2006, the Distribution Business was ranked the 4th place (2005: 5th) by Computer Partner World (電腦商報) among the top 200 information products distributors in the PRC's information products distribution business and was also ranked the 5th place (2005: 7th) by China Information World (中國計算機報) in June 2006 as one of the PRC's top 100 dominant information products distributors. In addition, the Distribution Business was ranked the 5th place in June 2006 by Smart Partner (計算機產品與流通) among the top 10 most excellent information products distributors in the PRC.

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 schemes 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.

In the current financial year, the moderate decrease in the headcount for the Group is mainly due to the partial disposal of EC-Founder in July 2006. At 31 December 2006, the number of employees of the Group was approximately 1,603 (31 December 2005: 1,882).

FINANCIAL REVIEW

Liquidity, financial resources and capital commitments

At 31 December 2006, the Group recorded total assets of HK\$792.0 million which were financed by liabilities of HK\$383.1 million, minority interests of HK\$5.6 million and equity of HK\$403.3 million. The Group's net asset value per share as at 31 December 2006 amounted to HK\$0.36 (31 December 2005: HK\$0.33).

The Group had a total cash and bank balance of HK\$265.6 million as at 31 December 2006 (31 December 2005: HK\$487.4 million). The Group had no borrowings as at 31 December 2006 (31 December 2005: HK\$40.6 million) and recorded a net cash balance of HK\$265.6 million as at 31 December 2006 as compared to HK\$446.8 million as at 31 December 2005. The Group's borrowings, which are subject to little seasonality, consist of mainly short term revolving trust receipt loans. As at 31 December 2006, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total equity attributable to equity holders of the parent, was zero (31 December 2005: 0.11) while the Group's working capital ratio was 1.58 (31 December 2005: 1.39).

At 31 December 2006, 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 Hong Kong dollars, Renminbi and United States dollars. Surplus cash is generally placed in short term deposits denominated in Hong Kong dollars, Renminbi and United States dollars.

Exposure to fluctuations in exchange rates and related hedges

Most of the Group's borrowings are denominated in Hong Kong dollars and United States dollars while the sales of the Group are mainly denominated in Renminbi and United States dollars. The sales and purchases made by the subsidiaries of the Group in the PRC are conducted in Renminbi and hence, the transactional currency exposure is minimal. As the exchange rates of United States dollars against Hong Kong dollars was relatively stable during the year under review, the Group's exposure to fluctuations in exchange rates is considered minimal and no financial instruments have been used for hedging purposes.

Contracts

At 31 December 2006, the major contracts in hand for the software development and systems integration business amounted to approximately HK\$187.5 million (31 December 2005: HK\$148.1 million), which are all expected to be completed within one year time.

Material acquisitions and disposals of subsidiaries and associates

On 26 May 2006, the Company entered into a sales and purchase agreement to partially dispose of its 21.85% equity interest in EC-Founder for a cash consideration of approximately HK\$68.5 million. After the partial disposal, EC-Founder is a 33% owned associated company of the Company. The disposal was completed in July 2006 and a gain of approximately HK\$17.8 million was recorded.

Charges on assets

At 31 December 2006, the Group's land and buildings and investment properties in Hong Kong of approximately HK\$54.6 million and bank deposits of approximately HK\$35.6 million were pledged to banks to secure banking facilities granted.

Contingent liabilities

At 31 December 2006, the Group did not have any significant contingent liabilities.

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 throughout the year ended 31 December 2006.

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.

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

Hong Kong, 20 April 2007

As at the date of this announcement, the Board of the Company comprises executive directors of Mr Cheung Shuen Lung, Professor Xiao Jian Guo, Mr Liu Xiao Kun, Professor Wei Xin, Mr Zhang Zhao Dong, Mr Chen Geng and Mr Xie Ke Hai, and the independent non-executive directors of Dr Hu Hung Lick, Henry, Mr Li Fat Chung and Ms Wong Lam Kit Yee.

** For identification purpose only*