



(Incorporated in Bermuda with limited liability)

Stock Code: 00418



INTERIM REPORT 2011

Contents

| | Pages |
|--|-------|
| Corporate Information | 2 |
| Condensed Consolidated Income Statement | 3 |
| Condensed Consolidated Statement of Comprehensive Income | 4 |
| Condensed Consolidated Statement of Financial Position | 5-6 |
| Condensed Consolidated Statement of Changes in Equity | 7 |
| Condensed Consolidated Statement of Cash Flows | 8 |
| Notes to Condensed Consolidated Interim Financial Statements | 9-20 |
| Management Discussion and Analysis | 21-25 |
| Other Information | 26-30 |

Corporate Information

BOARD OF DIRECTORS

Executive directors

Mr Zhang Zhao Dong (*Chairman*)
 Professor Xiao Jian Guo (*Deputy Chairman*)
 Mr Liu Xiao Kun (*President*)
 Professor Wei Xin
 Mr Chen Geng
 Mr Xie Ke Hai

Independent non-executive directors

Mr Li Fat Chung
 Ms Wong Lam Kit Yee
 Mr Fung Man Yin Sammy

COMMITTEES

Audit Committee

Mr Li Fat Chung (*Chairman*)
 Ms Wong Lam Kit Yee
 Mr Fung Man Yin Sammy

Remuneration Committee

Mr Zhang Zhao Dong (*Chairman*)
 Mr Li Fat Chung
 Ms Wong Lam Kit Yee

COMPANY SECRETARY

Ms Tang Yuk Bo, Yvonne

AUTHORISED REPRESENTATIVES

Mr Zhang Zhao Dong
 Professor Wei Xin

AUDITORS

Ernst & Young
 Certified Public Accountants

LEGAL ADVISERS

DLA Piper Hong Kong
 Morrison & Foerster

PRINCIPAL BANKERS

Bank of Beijing
 China Merchants Bank
 DBS Bank (Hong Kong) Limited
 Hang Seng Bank Limited
 Industrial and Commercial Bank of China (Asia)
 Limited

REGISTERED OFFICE

Canon's Court
 22 Victoria Street
 Hamilton HM12
 Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1408, 14th Floor
 Cable TV Tower
 9 Hoi Shing Road
 Tsuen Wan
 New Territories
 Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

Principal registrars

Butterfield Fulcrum Group (Bermuda) Limited
 Rosebank Centre
 11 Bermudiana Road
 Pembroke HMO8
 Bermuda

Hong Kong branch share registrars and transfer office

Computershare Hong Kong Investor Services Limited
 Shops 1712-1716, 17th Floor, Hopewell Centre
 183 Queen's Road East
 Hong Kong

LISTING INFORMATION

Main board of The Stock Exchange of Hong Kong Limited
 Stock code: 00418
 Board lot: 2,000 shares

COMPANY WEBSITES

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

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 2011, together with the comparative figures for the corresponding period in 2010. 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 2011

| | Notes | For the six months ended 30 June | |
|--|-------|-------------------------------------|---------------------------------|
| | | 2011 (Unaudited) HK\$'000 | 2010 (Unaudited) HK\$'000 |
| REVENUE | 2 | 761,622 | 1,007,139 |
| Cost of sales | | <u>(610,774)</u> | <u>(886,061)</u> |
| Gross profit | | 150,848 | 121,078 |
| Other income and gains | 3 | 23,466 | 27,214 |
| Selling and distribution costs | | (79,022) | (68,748) |
| Administrative expenses | | (27,093) | (34,523) |
| Other expenses, net | | (38,857) | (42,518) |
| Finance costs | 4 | (1,531) | (2,923) |
| Share of profits and losses of associates | | <u>16</u> | <u>919</u> |
| PROFIT BEFORE TAX | 5 | 27,827 | 499 |
| Income tax expense | 6 | <u>(3,614)</u> | <u>(1,373)</u> |
| PROFIT/(LOSS) FOR THE PERIOD | | <u>24,213</u> | <u>(874)</u> |
| Attributable to: | | | |
| Owners of the parent | | 24,225 | (951) |
| Non-controlling interests | | <u>(12)</u> | <u>77</u> |
| | | <u>24,213</u> | <u>(874)</u> |
| EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | 7 | | |
| – Basic | | <u>HK2.14 cents</u> | <u>HK(0.08) cents</u> |
| – Diluted | | <u>HK2.14 cents</u> | <u>HK(0.08) cents</u> |

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

| | For the six months ended | |
|---|--------------------------|--------------|
| | 30 June | |
| | 2011 | 2010 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Profit/(loss) for the period | 24,213 | (874) |
| Exchange differences on translation of foreign operations | <u>7,741</u> | <u>2,176</u> |
| Other comprehensive income for the period, net of tax | <u>7,741</u> | <u>2,176</u> |
| Total comprehensive income for the period | <u>31,954</u> | <u>1,302</u> |
| Attributable to: | | |
| Owners of the parent | 31,946 | 1,220 |
| Non-controlling interests | <u>8</u> | <u>82</u> |
| | <u>31,954</u> | <u>1,302</u> |

Condensed Consolidated Statement of Financial Position

30 June 2011

| | <i>Notes</i> | 30 June 2011 (Unaudited) <i>HK\$'000</i> | 31 December 2010 (Audited) <i>HK\$'000</i> |
|--|--------------|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 153,888 | 152,453 |
| Investment properties | | 39,200 | 39,200 |
| Interests in associates | | 135,739 | 135,308 |
| | | <u>328,827</u> | <u>326,961</u> |
| CURRENT ASSETS | | | |
| Inventories | | 62,298 | 34,410 |
| Gross amount due from contract customers | | 52,589 | 28,061 |
| Trade and bills receivables | 9 | 241,702 | 290,545 |
| Prepayments, deposits and other receivables | | 122,504 | 301,898 |
| Pledged deposits | | 11,945 | 13,231 |
| Cash and cash equivalents | | 273,583 | 292,987 |
| | | <u>764,621</u> | <u>961,132</u> |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | 10 | 96,184 | 217,576 |
| Gross amount due to contract customers | | 16,399 | 7,611 |
| Other payables and accruals | | 246,259 | 305,328 |
| Interest-bearing bank borrowings | 11 | 100,269 | 157,282 |
| Tax payable | | 4,444 | 2,578 |
| | | <u>463,555</u> | <u>690,375</u> |
| NET CURRENT ASSETS | | <u>301,066</u> | <u>270,757</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>629,893</u> | <u>597,718</u> |

Condensed Consolidated Statement of Financial Position

(Continued)

30 June 2011

| | 30 June 2011 (Unaudited) HK\$'000 | 31 December 2010 (Audited) HK\$'000 |
|--|--|--|
| NON-CURRENT LIABILITIES | | |
| Deferred tax liabilities | <u>8,673</u> | <u>8,452</u> |
| Total non-current liabilities | <u>8,673</u> | <u>8,452</u> |
| Net assets | <u>621,220</u> | <u>589,266</u> |
| EQUITY | | |
| Equity attributable to owners of the parent | | |
| Issued capital | 113,030 | 113,030 |
| Reserves | <u>507,330</u> | <u>475,384</u> |
| | 620,360 | 588,414 |
| Non-controlling interests | <u>860</u> | <u>852</u> |
| Total equity | <u>621,220</u> | <u>589,266</u> |

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

| | Attributable to owners of the parent | | | | | | | | | | |
|---|---|--|--|--|--|------------------------------------|--|---|----------------------------------|--|---|
| | Issued capital (Unaudited) HK\$'000 | Share premium account (Unaudited) HK\$'000 | Contributed surplus (Unaudited) HK\$'000 | Capital reserve (Unaudited) HK\$'000 | Land and | Exchange | General reserve (Unaudited) HK\$'000 | Accumulated losses (Unaudited) HK\$'000 | Total (Unaudited) HK\$'000 | Non-controlling interests (Unaudited) HK\$'000 | Total equity (Unaudited) HK\$'000 |
| | | | | | buildings | fluctuation | | | | | |
| | | | | | revaluation reserve (Unaudited) HK\$'000 | reserve (Unaudited) HK\$'000 | | | | | |
| At 1 January 2011 | 113,030 | 32,470 | 867,910 | 3,685 | 92,302 | 42,259 | 42,987 | (606,229) | 588,414 | 852 | 589,266 |
| Profit for the period | - | - | - | - | - | - | - | 24,225 | 24,225 | (12) | 24,213 |
| Other comprehensive income for the period: | | | | | | | | | | | |
| Exchange differences on translation of foreign operations | - | - | - | - | - | 7,721 | - | - | 7,721 | 20 | 7,741 |
| Total comprehensive income for the period | - | - | - | - | - | 7,721 | - | 24,225 | 31,946 | 8 | 31,954 |
| At 30 June 2011 | 113,030 | 32,470* | 867,910* | 3,685* | 92,302* | 49,980* | 42,987* | (582,004)* | 620,360 | 860 | 621,220 |
| At 1 January 2010 | 113,030 | 32,470 | 867,910 | 3,685 | 59,147 | 37,932 | 46,530 | (672,595) | 488,109 | 707 | 488,816 |
| Loss for the period | - | - | - | - | - | - | - | (951) | (951) | 77 | (874) |
| Other comprehensive income for the period: | | | | | | | | | | | |
| Exchange differences on translation of foreign operations | - | - | - | - | - | 2,171 | - | - | 2,171 | 5 | 2,176 |
| Total comprehensive income/(loss) for the period | - | - | - | - | - | 2,171 | - | (951) | 1,220 | 82 | 1,302 |
| At 30 June 2010 | 113,030 | 32,470 | 867,910 | 3,685 | 59,147 | 40,103 | 46,530 | (673,546) | 489,329 | 789 | 490,118 |

* These reserve accounts comprise the consolidated reserves of HK\$507,330,000 (31 December 2010: HK\$475,384,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

| | For the six months ended 30 June | |
|--|-------------------------------------|---------------------------------|
| | 2011 (Unaudited) HK\$'000 | 2010 (Unaudited) HK\$'000 |
| NET CASH FLOWS USED IN OPERATING ACTIVITIES | (117,506) | (49,909) |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | 151,504 | 22,583 |
| NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES | (57,909) | 10,417 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (23,911) | (16,909) |
| Cash and cash equivalents at beginning of period | 290,868 | 321,070 |
| Effect of foreign exchange rate changes, net | 4,457 | 3,300 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 271,414 | 307,461 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 225,280 | 147,541 |
| Non-pledged time deposits | 48,303 | 5,025 |
| Cash and cash equivalents as stated in the condensed consolidated statement of financial position | 273,583 | 152,566 |
| Cash and cash equivalents attributable to assets of a disposal group classified as held for sale | - | 154,895 |
| Non-pledged time deposits with original maturity of more than three months when acquired | (2,169) | - |
| Cash and cash equivalents as stated in the condensed consolidated statement of cash flows | 271,414 | 307,461 |

Notes to Condensed Consolidated Interim Financial Statements

30 June 2011

1. ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2011 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 2010, 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 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 amendments to 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 new and revised HKFRSs are as follows:

Improvements 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 results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- (a) HKAS 1 *Presentation of Financial Statements*: Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

Notes to Condensed Consolidated Interim Financial Statements

30 June 2011

1. ACCOUNTING POLICIES *(continued)*

- (b) *HKAS 27 Consolidated and Separate Financial Statements*: 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.

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 2011 and 2010:

| | Software development and systems integration for media business | | Software development and systems integration for non-media business | | Corporate | | Others | | Total | |
|--|---|---------------------------------|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | 2011 (Unaudited) HK\$'000 | 2010 (Unaudited) HK\$'000 | 2011 (Unaudited) HK\$'000 | 2010 (Unaudited) HK\$'000 | 2011 (Unaudited) HK\$'000 | 2010 (Unaudited) HK\$'000 | 2011 (Unaudited) HK\$'000 | 2010 (Unaudited) HK\$'000 | 2011 (Unaudited) HK\$'000 | 2010 (Unaudited) HK\$'000 |
| Segment revenue: | | | | | | | | | | |
| Sales to external customers | 448,417 | 340,924 | 313,055 | 666,070 | - | - | 150 | 145 | 761,622 | 1,007,139 |
| Intersegment sales | - | 6,870 | - | - | - | - | - | - | - | 6,870 |
| | 448,417 | 347,794 | 313,055 | 666,070 | - | - | 150 | 145 | 761,622 | 1,014,009 |
| <i>Reconciliation:</i> | | | | | | | | | | |
| Elimination of intersegment sales | | | | | | | | | - | (6,870) |
| Revenue | | | | | | | | | 761,622 | 1,007,139 |
| Segment results | 24,857 | (3,035) | 5,148 | 1,956 | (4,193) | (3,284) | 116 | 117 | 25,928 | (4,246) |
| <i>Reconciliation:</i> | | | | | | | | | | |
| Interest income and unallocated gains | | | | | | | | | 3,414 | 6,749 |
| Finance costs | | | | | | | | | (1,531) | (2,923) |
| Share of profits and losses of associates | | | | | | | | | 16 | 919 |
| Profit before tax | | | | | | | | | 27,827 | 499 |

Notes to Condensed Consolidated Interim Financial Statements

30 June 2011

3. OTHER INCOME AND GAINS

| | For the six months ended | |
|-----------------------------------|--------------------------|---------------|
| | 30 June | |
| | 2011 | 2010 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Bank interest income | 775 | 832 |
| Other interest income | 1,757 | 5,031 |
| Gross rental income | 571 | 599 |
| Government grants | 18,010 | 16,845 |
| Foreign exchange differences, net | 882 | 886 |
| Others | 1,471 | 3,021 |
| | <u>23,466</u> | <u>27,214</u> |

4. FINANCE COSTS

| | For the six months ended | |
|------------------------|--------------------------|--------------|
| | 30 June | |
| | 2011 | 2010 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Interest on bank loans | <u>1,531</u> | <u>2,923</u> |

5. PROFIT BEFORE TAX

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

| | For the six months ended | |
|--|--------------------------|--------------|
| | 30 June | |
| | 2011 | 2010 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Depreciation | 4,807 | 3,604 |
| Gain on disposal of items of property, plant and equipment | (25) | (121) |
| Impairment of trade receivables | 851 | 9,048 |
| Impairment of other receivables | 1,302 | 649 |
| Provision/(reversal of provision) for obsolete inventories | <u>8,538</u> | <u>(530)</u> |

Notes to Condensed Consolidated Interim Financial Statements

30 June 2011

6. INCOME TAX

| | For the six months ended | |
|--|--------------------------|--------------|
| | 30 June | |
| | 2011 | 2010 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Group: | | |
| Current – The People's Republic of China (the "PRC") | | |
| Charge for the period | 4,393 | 1,373 |
| Overprovision in prior years | <u>(779)</u> | <u>–</u> |
| Total tax charge for the period | <u>3,614</u> | <u>1,373</u> |

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 2010: Nil).

Under the PRC income tax laws, enterprises are subject to corporate income tax at a rate of 25%. Pursuant to the relevant approval document issued by the PRC tax bureau, Beijing Founder Electronics Co., Ltd. ("Founder Electronics"), a wholly-owned subsidiary of the Company, being registered as a Key Software Enterprise, is granted a tax concession to pay PRC corporate income tax at a preferential rate of 10% on its assessable profits.

The share of tax attributable to associates amounting to approximately HK\$1,515,000 (six months ended 30 June 2010: HK\$550,000) is included in "Share of profits and losses of associates" in the condensed consolidated income statement.

Notes to Condensed Consolidated Interim Financial Statements

30 June 2011

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

The calculation of basic earnings/(loss) per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent of approximately HK\$24,225,000 (six months ended 30 June 2010: loss of HK\$951,000), and the weighted average number of ordinary shares of approximately 1,130,300,000 (six months ended 30 June 2010: 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 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/(loss) per share amounts presented.

8. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

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. Trade 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 2011 (Unaudited) HK\$'000 | 31 December 2010 (Audited) HK\$'000 |
|-----------------|--|--|
| Within 6 months | 203,696 | 265,461 |
| 6 to 12 months | 27,195 | 15,131 |
| Over 12 months | 10,811 | 9,953 |
| | <u>241,702</u> | <u>290,545</u> |

Included in the Group's trade and bills receivables are amounts due from the Group's related companies and associates of approximately HK\$49,119,000 (31 December 2010: HK\$5,408,000) and HK\$21,448,000 (31 December 2010: HK\$85,614,000), respectively, which are repayable on similar credit terms to those offered to the major customers of the Group.

Notes to Condensed Consolidated Interim Financial Statements

30 June 2011

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:

| | 30 June 2011 (Unaudited) HK\$'000 | 31 December 2010 (Audited) HK\$'000 |
|-----------------|--|--|
| Within 6 months | 79,113 | 206,281 |
| 6 to 12 months | 8,912 | 7,292 |
| 12 to 24 months | 5,666 | 1,467 |
| Over 24 months | <u>2,493</u> | <u>2,536</u> |
| | <u>96,184</u> | <u>217,576</u> |

Included in the Group's trade and bills payables are amounts due to the Group's related companies and associates of approximately HK\$4,984,000 (31 December 2010: HK\$1,514,000) and HK\$4,001,000 (31 December 2010: Nil), respectively, which are repayable on similar credit terms to those offered by the related companies and associates to their major customers.

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

11. INTEREST-BEARING BANK BORROWINGS

On 12 May 2010, Founder (Hong Kong) Limited, a wholly-owned subsidiary of the Company, as borrower (the "Borrower"), the Company as guarantor and DBS Bank (Hong Kong) Limited as lender (the "Lender") entered into a facility agreement (the "Facility Agreement"), pursuant to which a banking facility relating to a revolving term loan and credit facility of up to US\$5,000,000 (the "Facility") was made available by the Lender to the Borrower on the terms and conditions therein contained. The Facility Agreement imposes a covenant relating to specific performance of the controlling shareholder of the Company.

The Facility Agreement provides that it would constitute an event of default under the Facility Agreement if 北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder"), a substantial shareholder of the Company, holds less than 32% of the shareholding interest in the Company, and in such event (amongst other things) the loans under the Facility may immediately become payable on demand.

As at 30 June 2011, no banking facility was drawn by the Group under the Facility Agreement (31 December 2010: HK\$21,798,000).

* For identification purpose only

Notes to Condensed Consolidated Interim Financial Statements

30 June 2011

12. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2011 (31 December 2010: Nil).

13. RELATED PARTY TRANSACTIONS

(I) Transactions with related parties

In addition to the related party transactions and balances disclosed elsewhere in these condensed consolidated interim financial statements, the Group had the following material transactions with related parties during the period:

- (a) On 15 August 2008, Founder Electronics entered into the lease renewal agreement with a subsidiary of Peking Founder to lease certain office premises in Beijing, the PRC, for a term of three years from 1 January 2009 to 31 December 2011 for the aggregate of annual rental and management fees of RMB10,185,000 (equivalent to approximately HK\$12,133,000).

During the period, rental and management fee expenses of approximately HK\$6,066,000 (six months ended 30 June 2010: HK\$5,813,000) were paid by Founder Electronics to a subsidiary of Peking Founder. The directors considered that the rental and management fee expenses were paid in accordance with the terms of the lease agreement.

- (b) On 24 June 2010, Sparkling Idea Limited, a wholly-owned subsidiary of the Company, entered into the disposal agreement with Founder International Co., Ltd. ("Founder International"), a subsidiary of Peking Founder, to dispose of the entire equity interest in 北京方正奧德計算機系統有限公司 (Beijing Founder Order Computer System Co., Ltd.*).

On 3 August 2010, the Company entered into a master agreement with Peking Founder to govern the sale of information products to Peking Founder and its subsidiaries (collectively "Peking Founder Group") for a term of three years ending 31 December 2012.

During the period, sales of information products of approximately HK\$105,194,000 (six months ended 30 June 2010: Nil) were made to Peking Founder Group and commission fees of approximately HK\$321,000 (six months ended 30 June 2010: Nil) were received from Peking Founder Group. The directors considered that the sales of products and commission fees were made in accordance with the master agreement.

* For identification purpose only

Notes to Condensed Consolidated Interim Financial Statements

30 June 2011

13. RELATED PARTY TRANSACTIONS *(continued)*

(I) Transactions with related parties (continued)

- (c) On 18 November 2008, the Company entered into a master agreement with Peking Founder for the purchase of information products and research and development services from Peking Founder Group for a term of three years from 1 January 2009 to 31 December 2011.

On 14 December 2010, the Company entered into a supplemental agreement with Peking Founder to revise the annual cap for the two years ending 31 December 2011.

During the period, products and services of approximately HK\$776,000 (six months ended 30 June 2010: Nil) were purchased from Peking Founder Group. The directors considered that the purchase of products and services was made in accordance with the master agreement.

- (d) On 15 August 2008, the Company and Founder International Inc., a subsidiary of Peking Founder, entered into a master agreement, pursuant to which the Group shall from time to time for a term up to 31 December 2010 sell software, hardware, and/or system integration products and/or provide software, hardware, and/or system integration development services to Founder International Inc. and its subsidiaries.

During the six months ended 30 June 2010, sale of products and provision of product related services in an aggregate amount of approximately HK\$3,670,000 to the related companies were made by the Group. The directors considered that the sale of products and provision of services were made in accordance with the terms of the master agreement.

- (e) On 15 December 2008, the Company entered into a master agreement with EC-Founder (Holdings) Company Limited ("EC-Founder"), an associate of the Company, to govern the purchase of information products from EC-Founder and its subsidiaries (collectively "EC-Founder Group") for a term of three years from 1 January 2009 to 31 December 2011.

On 12 June 2009, the Company entered into a supplemental agreement with EC-Founder to revise the annual caps for the three years ending 31 December 2011.

During the period, information products in the amount of approximately HK\$5,938,000 (six months ended 30 June 2010: HK\$98,867,000) were purchased from EC-Founder Group. The directors considered that the purchases of these products were made in accordance with the master agreement.

Notes to Condensed Consolidated Interim Financial Statements

30 June 2011

13. RELATED PARTY TRANSACTIONS *(continued)*

(I) Transactions with related parties (continued)

- (f) On 15 December 2008, the Group entered into a master agreement with EC-Founder for the sales of information products to EC-Founder Group for a term of three years from 1 January 2009 to 31 December 2011.

During the period, sales of information products of approximately HK\$131,709,000 (six months ended 30 June 2010: HK\$182,859,000) were made to EC-Founder Group and commission fees of HK\$473,000 (six months ended 30 June 2010: HK\$440,000) were received from EC-Founder Group. The directors considered that the sales of products and commission fees were made in accordance with the master agreement.

- (g) On 15 July 2009, the Company entered into an entrusted loan master agreement with Peking Founder (the "Entrusted Loan Master Agreement"), pursuant to which the Group would provide short term loans through a financial institution to Peking Founder Group for the three years ending 31 December 2011.

For the year ended 31 December 2010, entrusted loans in the amount of RMB270,000,000 (equivalent to approximately HK\$310,646,000) were provided to Peking Founder Group. The entrusted loans were unsecured and bore interest at rates ranging from 4.86% to 5.35% per annum, and were settled by 8 December 2010 as to the amount of RMB40,000,000 (equivalent to approximately HK\$47,080,000). The entrusted loans of RMB130,000,000 (equivalent to approximately HK\$153,010,000) and related interest of approximately HK\$1,563,000 receivable from Peking Founder Group remained undue and were included in prepayments, deposits and other receivables in the condensed consolidated statement of financial position as at 31 December 2010. These entrusted loans were fully settled by Peking Founder Group during the period.

During the period, interest income earned by the Group amounted to HK\$1,205,000 (six months ended 30 June 2010: HK\$3,169,000). The directors considered that the provision of entrusted loans to Peking Founder Group was made in accordance with the Entrusted Loan Master Agreement.

Notes to Condensed Consolidated Interim Financial Statements

30 June 2011

13. RELATED PARTY TRANSACTIONS *(continued)*

(I) Transactions with related parties (continued)

- (h) On 3 December 2010, the Company, PKU Founder Group Finance Co., Ltd. ("Founder Finance") and Peking Founder entered into a financial service agreement, pursuant to which Founder Finance would provide the Group with (i) deposit service; (ii) loan service; and (iii) miscellaneous financial service subject to the term and conditions provided therein for the three years ending 31 December 2013. Further details of the transaction were set out in the announcement of the Company dated 3 December 2010 and circular of the Company dated 24 December 2010.

As at 30 June 2011, the Group made a deposit of approximately HK\$96,952,000 (31 December 2010: Nil) in Founder Finance and the related interest of approximately HK\$552,000 was earned by the Group during the six months ended 30 June 2011 (six months ended 30 June 2010: Nil). The interest rates on these deposits offered by Founder Finance were the prevailing interest rates offered by the PBOC.

- (i) The banking facilities guarantees given by Peking Founder and its subsidiary to PRC banks for the credit facilities granted to subsidiaries of the Company at 30 June 2011 of approximately HK\$241,000,000 (31 December 2010: HK\$188,320,000) were utilised to the extent of approximately HK\$70,362,000 (31 December 2010: HK\$59,980,000).

As at 31 December 2010, certain time deposits of Founder International of approximately HK\$21,798,000 were pledged to a bank to secure banking facilities granted to the Group.

- (j) During the six months ended 30 June 2010, interest income of approximately HK\$1,862,000 was received from an associate. The transaction was conducted on the basis of rates agreed between the Group and the associate.

The related party transactions in respect of items (a), (b), (c), (d), (g) and (h) above for the current interim period also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listings of Securities on The Stock Exchange of Hong Kong Limited.

Notes to Condensed Consolidated Interim Financial Statements

30 June 2011

13. RELATED PARTY TRANSACTIONS *(continued)*

(II) Outstanding balances with related parties

- (a) As at 30 June 2011, except for the entrusted loan receivables from Peking Founder Group disclosed in note 13(l)(g) to the financial statements, other balances due from Peking Founder Group included in prepayments, deposits and other receivables in the condensed consolidated statement of financial position are approximately HK\$6,602,000 (31 December 2010: HK\$8,947,000). The balances due to Peking Founder Group included in other payables and accruals in the condensed consolidated statement of financial position as at 30 June 2011 are approximately HK\$3,442,000 (31 December 2010: HK\$1,716,000). The balances are unsecured, interest-free and have no fixed terms of repayment.
- (b) The balance due to a company (in which 11.65% equity interest was held by Peking Founder) and its subsidiaries included in other payables and accruals in the condensed consolidated statement of financial position as at 30 June 2011 is approximately HK\$1,000 (31 December 2010: Nil). The balance due from this related company included in prepayments, deposits and other receivables in the condensed consolidated statement of financial position as at 30 June 2011 is approximately HK\$345,000 (31 December 2010: HK\$111,000). The balances are unsecured, interest-free and have no fixed terms of repayment.
- (c) The balances due from associates included in prepayments, deposits and other receivables in the condensed consolidated statement of financial position as at 30 June 2011 are approximately HK\$1,909,000 (31 December 2010: HK\$263,000). The balances due to associates of the Company included in other payables and accruals in the condensed consolidated statement of financial position as at 30 June 2011 are approximately HK\$9,444,000 (31 December 2010: HK\$9,000). The balances are unsecured, interest-free and have no fixed terms of repayment.
- (d) Details of the Group's trade balances with its associates and related companies as at the end of the reporting period are disclosed in notes 9 and 10 to these condensed consolidated interim financial statements.
- (e) As at 30 June 2011, included in the Group's cash and cash equivalents were deposits of approximately HK\$96,952,000 (31 December 2010: Nil) placed with Founder Finance.

Notes to Condensed Consolidated Interim Financial Statements

30 June 2011

13. RELATED PARTY TRANSACTIONS *(continued)*

(III) Compensation of key management personnel of the Group

In the opinion of the directors, the directors of the Company represented the key management personnel of the Group. Compensation paid to directors during the period is as follows:

| | For the six months ended | |
|---|--------------------------|-------------|
| | 30 June | |
| | 2011 | 2010 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Short term employee benefits | 992 | 338 |
| Post-employment benefit | 14 | 9 |
| | <u>1,006</u> | <u>347</u> |
| Total compensation paid to key management personnel | <u>1,006</u> | <u>347</u> |

14. EVENT AFTER THE REPORTING PERIOD

On 12 July 2011, the Group provided a six-month short term loan of RMB80,000,000 (equivalent to approximately HK\$96,240,000) to a subsidiary of Peking Founder under the entrusted loan agreement. The loan is unsecured and bears interest at the prevailing benchmark Renminbi lending rate for the loan period of six months offered by PBOC plus 12% of such rate.

Management Discussion and Analysis

Overall Performance

The Group achieved encouraging results performance with its continuous effort in streamlining the operation. The Group reported an unaudited consolidated profit attributable to equity holders of the parent for the six months ended 30 June 2011 of HK\$24.2 million (six months ended 30 June 2010: loss of HK\$1.0 million). The Group recorded a decrease in turnover during the current interim period by approximately 24.4% to HK\$761.6 million (six months ended 30 June 2010: HK\$1,007.1 million) due to the disposal of Founder Order in November 2010. The gross profit margin increased from 12.0% for the six months ended 30 June 2010 to 19.8% for the current interim period 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 current interim period were HK2.14 cents (six months ended 30 June 2010: loss of HK0.08 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 increased by 31.5% to approximately HK\$448.4 million (six months ended 30 June 2010: HK\$340.9 million) while the segment results recorded a profit of approximately HK\$24.9 million (six months ended 30 June 2010: loss of HK\$3.0 million).

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 period under review. The gross profit margin for the Media Business for the current interim period has increased to 32.2% as compared to 29.5% for the six months ended 30 June 2010 as a result of increase in sales of software with higher gross profit margin.

Management Discussion and Analysis

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, 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 addition, 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 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 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).

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.

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 honours for three consecutive years since 2008 showing its competitiveness and innovative position in the market.

Management Discussion and Analysis

(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 53.0% to approximately HK\$313.1 million (six months ended 30 June 2010: HK\$666.1 million) while its segment results has recorded a profit of approximately HK\$5.1 million (six months ended 30 June 2010: HK\$2.0 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 the disposal of Founder Order which was engaged in the Non-Media Business in the PRC in November 2010.

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 2011, the number of employees of the Group was approximately 1,339 (31 December 2010: 1,373).

Management Discussion and Analysis

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 2011, the Group had interest-bearing bank borrowings of HK\$100.3 million (31 December 2010: HK\$157.3 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 2011, the Group recorded total assets of HK\$1,093.4 million which were financed by liabilities of HK\$472.2 million, non-controlling interests of HK\$0.9 million and equity of HK\$620.3 million. The Group's net asset value per share as at 30 June 2011 amounted to HK\$0.55 (31 December 2010: HK\$0.52).

The Group had total cash and bank balances of HK\$285.5 million as at 30 June 2011 (31 December 2010: HK\$306.2 million). After deducting total bank borrowings of HK\$100.3 million (31 December 2010: HK\$157.3 million), the Group recorded net cash and bank balances of HK\$185.2 million as at 30 June 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 30 June 2011, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders' equity, was 0.16 (31 December 2010: 0.27) while the Group's current ratio was 1.65 (31 December 2010: 1.39).

At 30 June 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 period 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.

Management Discussion and Analysis

Contracts

At 30 June 2011, the major contracts in hand for the software development and systems integration business amounted to approximately HK\$502.1 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

The Group had no material acquisition or disposals of subsidiaries and associates during the six months ended 30 June 2011.

Charges on assets

At 30 June 2011, the Group's land and buildings in Hong Kong of approximately HK\$41.7 million, investment properties of approximately HK\$38.3 million and bank deposits of approximately HK\$11.9 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 2011.

Contingent liabilities

At 30 June 2011, the Group did not have any significant contingent liabilities.

Other Information

Directors' Interests and Short Positions in Shares and Underlying Shares

At 30 June 2011, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of associated corporation:

EC-Founder (Holdings) Company Limited ("EC-Founder"), an associate of the Company

| Name of director | Number of ordinary shares held, capacity and nature of interest | | | Percentage of the associated corporation's issued share capital |
|-------------------------|--|---|----------------|--|
| | Directly beneficially owned | Through spouse or minor children | Total | |
| Professor Xiao Jian Guo | 8,703,300 | – | 8,703,300 | 0.79 |
| Professor Wei Xin | 3,956,000 | – | 3,956,000 | 0.36 |
| Mr Zhang Zhao Dong | 3,956,000 | – | 3,956,000 | 0.36 |
| Mr Fung Man Yin Sammy | <u>350,000</u> | <u>100,000</u> | <u>450,000</u> | <u>0.04</u> |

Other Information

Directors' Interests and Short Positions in Shares and Underlying Shares

(Continued)

Long positions in underlying shares of associated corporation:

EC-Founder

| Name of director | Number of share options outstanding as at 1 January 2011 and 30 June 2011 | Date of grant of share options | Exercise period of share options | Exercise price of share options <i>HK\$ per share</i> |
|--------------------|---|--------------------------------|----------------------------------|--|
| Mr Zhang Zhao Dong | 8,000,000 | 6.2.2004 | 7.2.2004 to 5.2.2014 | 0.381 |
| Professor Wei Xin | 8,000,000 | 6.2.2004 | 7.2.2004 to 5.2.2014 | 0.381 |
| Mr Liu Xiao Kun | 5,500,000 | 2.1.2004 | 3.1.2004 to 31.12.2013 | 0.340 |
| | 21,500,000 | | | |

The interests of the directors in the share options of the Company are separately disclosed under the section "Share option scheme" below.

Save as disclosed above, as at 30 June 2011, none of the directors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

Directors' Rights to Acquire Shares

Save as disclosed under the section "Directors' interests and short positions in shares and underlying shares" above and the section "Share option scheme" below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Share Option Scheme

On 24 May 2002, the Company adopted a share option scheme in compliance with Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The following share options were outstanding under the share option scheme at 1 January 2011 and at the end of the period:

| Name or category of participant | Number of share options outstanding as at 1 January 2011 and 30 June 2011 | Date of grant of share options * | Exercise period of share options | Exercise price of share options ** <i>HK\$ per share</i> |
|------------------------------------|---|--|--|---|
| Directors | | | | |
| Mr Zhang Zhao Dong | 8,000,000 | 5.2.2004 | 6.2.2004 to 4.2.2014 | 1.104 |
| Professor Xiao Jian Guo | 8,000,000 | 5.2.2004 | 6.2.2004 to 4.2.2014 | 1.104 |
| Professor Wei Xin | 8,000,000 | 5.2.2004 | 6.2.2004 to 4.2.2014 | 1.104 |
| Subtotal | <u>24,000,000</u> | | | |
| Other employees | | | | |
| In aggregate | 8,000,000 | 5.2.2004 | 6.2.2004 to 4.2.2014 | 1.104 |
| In aggregate | 6,000,000 | 2.1.2004 | 3.1.2004 to 31.12.2013 | 0.840 |
| Subtotal | <u>14,000,000</u> | | | |
| Total | <u>38,000,000</u> | | | |

Other Information

Share Option Scheme *(Continued)*

Notes to the reconciliation of the share options outstanding during the period:

- * The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
- ** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

Substantial Shareholders' and Other Persons' Interests in Shares

At 30 June 2011, the following interest of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

| Name | Capacity and nature of interest | Number of ordinary shares held | Percentage of the Company's issued share capital |
|---|----------------------------------|--------------------------------------|---|
| 北京北大資產經營有限公司 (Peking University Asset Management Company Limited*) (Note) | Through a controlled corporation | 367,179,610 | 32.49 |
| 北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder") | Directly beneficially owned | <u>367,179,610</u> | <u>32.49</u> |

* *For identification purpose only*

Note: Peking University Asset Management Company Limited was deemed to be interested in the 367,179,610 shares under the SFO by virtue of its interest in Peking Founder.

Save as disclosed above, as at 30 June 2011, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Other Information

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 2011, complied with the code provisions of the Code of Corporate Governance Practices as set out in Appendix 14 of 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 2011, including the accounting principles adopted by the Group, with the Company's management.

By Order of the Board
FOUNDER HOLDINGS LIMITED
Zhang Zhao Dong
Chairman

Hong Kong
26 August 2011