



*(Incorporated in Bermuda with limited liability)*

Stock Code: 00418



2012

INTERIM REPORT 2012

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## Corporate Information

### BOARD OF DIRECTORS

#### *Executive directors*

Mr Fang Zhong Hua (*Chairman*)  
 Professor Xiao Jian Guo (*Deputy Chairman*)  
 Mr Liu Xiao Kun (*President*)  
 Ms Yi Mei  
 Professor Yang Bin  
 Mr Wo Fei Yu

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

#### *Nomination Committee*

Mr Fang Zhong Hua (*Chairman*)  
 Ms Wong Lam Kit Yee  
 Mr Fung Man Yin, Sammy

### COMPANY SECRETARY

Ms Tang Yuk Bo, Yvonne

### AUTHORISED REPRESENTATIVES

Mr Fang Zhong Hua  
 Ms Yi Mei

### AUDITORS

Ernst & Young  
 Certified Public Accountants

### LEGAL ADVISERS

DLA Piper Hong Kong

### 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.irasia.com/listco/hk/founder](http://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 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

|  | Notes | For the six months ended<br>30 June |                                 |
|--|-------|-------------------------------------|---------------------------------|
|  |       | 2012<br>(Unaudited)<br>HK\$'000     | 2011<br>(Unaudited)<br>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>                   |
| 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<br>ORDINARY EQUITY HOLDERS OF THE PARENT | 7     |                                     |                                 |
| – Basic  |       | <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,<br>NET OF TAX | (2,163)                  | 7,741       |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD                | (20,327)                 | 31,954      |
| Attributable to:  |                          |             |
| Owners of the parent  | (20,335)                 | 31,946      |
| Non-controlling interests                                       | 8                        | 8           |
|   | (20,327)                 | 31,954      |

## Condensed Consolidated Statement of Financial Position

30 June 2012

|  | <i>Notes</i> | 30 June<br>2012<br>(Unaudited)<br><i>HK\$'000</i> | 31 December<br>2011<br>(Audited)<br><i>HK\$'000</i> |
|--|--------------|---|---|
| <b>NON-CURRENT ASSETS</b>                        |              |   |   |
| Property, plant and equipment                    |              | 205,506   | 184,787   |
| Investment properties                            |              | 48,355  | 48,355  |
| Interests in associates                          |              | 16,538  | 16,425  |
| Capitalised software costs                       | 9            | <u>3,405</u>                                      | <u>–</u>  |
| Total non-current assets                         |              | <u>273,804</u>                                    | <u>249,567</u>                                      |
| <b>CURRENT ASSETS</b>                            |              |   |   |
| Inventories                                      |              | 50,503  | 61,775  |
| Gross amount due from contract customers         |              | 48,152  | 146,726   |
| Trade and bills receivables                      | 10           | 327,446   | 232,621   |
| Prepayments, deposits and other receivables      |              | 486,443   | 198,261   |
| Pledged deposits                                 |              | 12,232  | 12,121  |
| Cash and cash equivalents                        |              | <u>278,654</u>                                    | <u>440,611</u>                                      |
| Total current assets                             |              | <u>1,203,430</u>                                  | <u>1,092,115</u>                                    |
| <b>CURRENT LIABILITIES</b>                       |              |   |   |
| Trade and bills payables                         | 11           | 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                 |              | <u>274,547</u>                                    | <u>76,031</u>                                       |
| Total current liabilities                        |              | <u>820,502</u>                                    | <u>667,024</u>                                      |
| <b>NET CURRENT ASSETS</b>                        |              | <u>382,928</u>                                    | <u>425,091</u>                                      |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>     |              | <u>656,732</u>                                    | <u>674,658</u>                                      |

## Condensed Consolidated Statement of Financial Position

*(Continued)*

30 June 2012

|  | 30 June<br>2012<br>(Unaudited)<br>HK\$'000 | 31 December<br>2011<br>(Audited)<br>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   |  |  |
| <b>Equity attributable to owners of the parent</b> |  |  |
| Issued capital                                     | 113,030                                    | 113,030                                      |
| Reserves   | <u>532,744</u>                             | <u>550,609</u>                               |
|  | 645,774                                    | 663,639                                      |
| <b>Non-controlling interests</b>                   | <u>917</u>                                 | <u>909</u>                                   |
| Total equity                                       | <u>646,691</u>                             | <u>664,548</u>                               |

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

|   | Attributable to owners of the parent      |  |  |  |  |   |   |  |   |                                  |  |   |
|---|---|--|--|--|--|---|---|--|---|----------------------------------|--|---|
|   | Issued capital<br>(Unaudited)<br>HK\$'000 | Share premium account<br>(Unaudited)<br>HK\$'000 | Contributed surplus<br>(Unaudited)<br>HK\$'000 | Employee share-based compensation reserve<br>(Unaudited)<br>HK\$'000 | Capital reserve<br>(Unaudited)<br>HK\$'000 | Land and buildings revaluation reserve<br>(Unaudited)<br>HK\$'000 | Exchange fluctuation reserve<br>(Unaudited)<br>HK\$'000 | General reserve<br>(Unaudited)<br>HK\$'000 | Accumulated losses<br>(Unaudited)<br>HK\$'000 | Total<br>(Unaudited)<br>HK\$'000 | Non-controlling interests<br>(Unaudited)<br>HK\$'000 | Total equity<br>(Unaudited)<br>HK\$'000 |
| At 1 January 2012   | 113,030                                   | 32,470   | 867,910  | 657  | 3,685                                      | 118,110   | 41,106  | 39,530                                     | (552,859)                                     | 663,639                          | 909  | 664,548                                 |
| Loss for the period                                       | -   | -  | -  | -  | -  | -   | -   | -  | (18,179)                                      | (18,179)                         | 15   | (18,164)                                |
| Other comprehensive loss for the period:                  |   |  |  |  |  |   |   |  |   |                                  |  |   |
| Share of other comprehensive loss of associates           | -   | -  | -  | -  | -  | -   | (31)  | -  | -   | (31)                             | -  | (31)                                    |
| Exchange differences on translation of foreign operations | -   | -  | -  | -  | -  | -   | (2,125)   | -  | -   | (2,125)                          | (7)  | (2,132)                                 |
| Total comprehensive loss for the period                   | -   | -  | -  | -  | -  | -   | (2,156)   | -  | (18,179)                                      | (20,335)                         | 8  | (20,327)                                |
| Equity-settled share option arrangements                  | -   | -  | -  | 2,470  | -  | -   | -   | -  | -   | 2,470                            | -  | 2,470                                   |
| Transfer to general reserve                               | -   | -  | -  | -  | -  | -   | -   | 23   | (23)  | -                                | -  | -                                       |
| At 30 June 2012   | 113,030                                   | 32,470*  | 867,910*                                       | 3,127*   | 3,685*                                     | 118,110*  | 38,950*   | 39,553*                                    | (571,061)*                                    | 645,774                          | 917  | 646,691                                 |
| 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                                 |

\* These reserve accounts comprise the consolidated reserves of HK\$532,744,000 (31 December 2011: HK\$550,609,000) in the condensed consolidated statement of financial position.



## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

|   | For the six months ended<br>30 June |                                 |
|---|-------------------------------------|---------------------------------|
|   | 2012<br>(Unaudited)<br>HK\$'000     | 2011<br>(Unaudited)<br>HK\$'000 |
| NET CASH FLOWS USED IN OPERATING ACTIVITIES   | <b>(308,569)</b>                    | (117,506)                       |
| NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES  | <b>(50,299)</b>                     | 151,504                         |
| NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES  | <b>198,748</b>                      | <u>(57,909)</u>                 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS   | <b>(160,120)</b>                    | (23,911)                        |
| Cash and cash equivalents at beginning of period  | <b>438,343</b>                      | 290,868                         |
| Effect of foreign exchange rate changes, net  | <b>(1,823)</b>                      | <u>4,457</u>                    |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD  | <b>276,400</b>                      | <u>271,414</u>                  |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS   |                                     |                                 |
| Cash and bank balances  | <b>131,765</b>                      | 225,280                         |
| Non-pledged time deposits   | <b>146,889</b>                      | <u>48,303</u>                   |
| Cash and cash equivalents as stated in the<br>statement of financial position               | <b>278,654</b>                      | 273,583                         |
| Non-pledged time deposits with original maturity<br>of more than three months when acquired | <b>(2,254)</b>                      | <u>(2,169)</u>                  |
| Cash and cash equivalents as stated<br>in the statement of cash flows                       | <b>276,400</b>                      | <u>271,414</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<br>(Unaudited)<br>HK\$’000                                 | 2011<br>(Unaudited)<br>HK\$’000 | 2012<br>(Unaudited)<br>HK\$’000                                     | 2011<br>(Unaudited)<br>HK\$’000 | 2012<br>(Unaudited)<br>HK\$’000 | 2011<br>(Unaudited)<br>HK\$’000 | 2012<br>(Unaudited)<br>HK\$’000 | 2011<br>(Unaudited)<br>HK\$’000 | 2012<br>(Unaudited)<br>HK\$’000 | 2011<br>(Unaudited)<br>HK\$’000 |
| <b>Segment revenue:</b>                   |   |                                 |   |                                 |                                 |                                 |                                 |                                 |                                 |                                 |
| Sales to external customers               | 405,838   | 448,417                         | 285,428   | 313,055                         | -                               | -                               | 172                             | 150                             | 691,438                         | 761,622                         |
| <b>Segment results</b>                    | <b>(21,339)</b>   | 24,857                          | <b>7,632</b>  | 5,148                           | <b>(6,363)</b>                  | (4,193)                         | <b>134</b>                      | 116                             | <b>(19,936)</b>                 | 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                  |   |                                 |   |                                 |                                 |                                 |                                 |                                 | <b>(18,164)</b>                 | <b>27,827</b>                   |

## Notes to Condensed Consolidated Interim Financial Statements

30 June 2012

### 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 | <u>5,139</u>             | <u>1,531</u> |

## Notes to Condensed Consolidated Interim Financial Statements

30 June 2012

### 5. PROFIT/(LOSS) BEFORE TAX

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

|  | For the six months ended<br>30 June |                                 |
|--|-------------------------------------|---------------------------------|
|  | 2012<br>(Unaudited)<br>HK\$'000     | 2011<br>(Unaudited)<br>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)                           |
|  | <u>310</u>                          | <u>(882)</u>                    |

### 6. INCOME TAX

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

## Notes to Condensed Consolidated Interim Financial Statements

30 June 2012

### 6. INCOME TAX *(continued)*

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. 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).

### 9. CAPITALISED SOFTWARE COSTS

|   | 30 June<br>2012<br>(Unaudited)<br>HK\$'000 |
|---|--|
| <b>30 June 2012</b>                                     |  |
| Cost at 1 January 2012, net of accumulated amortisation | -  |
| Addition – internal development                         | 3,405                                      |
| Amortisation provided during the period                 | -  |
|   | <hr/>                                      |
| At 30 June 2012   | <b>3,405</b>                               |
|   | <hr/>                                      |
| At 30 June 2012:  |  |
| Cost  | 3,405                                      |
| Accumulated amortization                                | -  |
|   | <hr/>                                      |
| Net carrying amount                                     | <b>3,405</b>                               |
|   | <hr/>                                      |

## Notes to Condensed Consolidated Interim Financial Statements

30 June 2012

### 9. CAPITALISED SOFTWARE COSTS *(continued)*

During the period ended 30 June 2012, capitalised software costs were related to development expenditure on printing software.

### 10. 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:

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

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

## Notes to Condensed Consolidated Interim Financial Statements

30 June 2012

### 11. TRADE AND BILLS PAYABLES

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

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

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.

### 12. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2012 (31 December 2011: Nil).

## Notes to Condensed Consolidated Interim Financial Statements

30 June 2012

### 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, Beijing Founder Electronics Co.,Ltd. ("Founder Electronics"), a subsidiary of the Group, entered into a lease 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\$12,276,000).

On 1 November 2011, Founder Electronics and 北京方正印捷數碼技術有限公司 (Beijing Founder EasiPrint Digital Technology Co., Ltd. \*) ("Founder EasiPrint"), a subsidiary of the Group, entered into lease agreements and management agreements with a subsidiary of Peking Founder to lease certain office premises in Beijing, the PRC, for terms of three years from 1 January 2012 to 31 December 2014 for the aggregate of annual rental and management fees of RMB6,900,000 and RMB4,845,000 (equivalent to approximately HK\$8,472,000 and HK\$5,949,000).

During the period, rental and management fees of approximately HK\$7,211,000 (six months ended 30 June 2011: HK\$6,066,000) were paid by Founder Electronics and Founder EasiPrint to a subsidiary of Peking Founder. The directors consider that the rental and management fees were paid in accordance with the terms of the lease agreement.

- (b) On 15 December 2008, the Company entered into a master agreement with EC-Founder 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 ended 31 December 2011.

On 29 August 2011, the Company entered into a new master agreement with EC-Founder to govern the purchase of information products from EC-Founder Group for a term of three years from 1 January 2011 to 31 December 2013.

During the period, information products in the amount of approximately HK\$603,000 (six months ended 30 June 2011: HK\$5,938,000) were purchased from EC-Founder Group. The directors consider that the purchases of information products were made in accordance with the master agreement.

\* For identification purpose only



## Notes to Condensed Consolidated Interim Financial Statements

30 June 2012

### 13. RELATED PARTY TRANSACTIONS *(continued)*

#### *(1) Transactions with related parties (continued)*

- (c) On 15 December 2008, the Company entered into a HP 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.

On 29 August 2011, the Company entered into a New HP Master Agreement with EC-Founder to govern the sales of HP products to EC-Founder Group for a term of three years from 1 January 2011 to 31 December 2013.

During the period, sales of information products of approximately HK\$87,606,000 (six months ended 30 June 2011: HK\$131,709,000) were made to EC-Founder Group and commission fee of approximately HK\$255,000 (six months ended 30 June 2011: HK\$473,000) was received from EC-Founder Group. The directors consider that the sales of information products and commission fee were made in accordance with the New HP Master Agreement.

- (d) 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 and its subsidiaries (collectively "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 caps for the two years ended 31 December 2011.

On 1 November 2011, 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 2012 to 31 December 2014.

During the period, products and services of approximately HK\$850,000 (six months ended 30 June 2011: HK\$776,000) were purchased from Peking Founder Group. The directors consider that the purchase of products and services were made in accordance with the master agreement.

## Notes to Condensed Consolidated Interim Financial Statements

30 June 2012

### 13. RELATED PARTY TRANSACTIONS *(continued)*

#### *(I) Transactions with related parties (continued)*

- (e) On 3 August 2010, the Company entered into a master agreement with Peking Founder to govern the sales of information products to Peking Founder Group for a term of three years ending 31 December 2012.

During the period, sales of information products of approximately HK\$44,383,000 (six months ended 30 June 2011: HK\$105,194,000) were made to Peking Founder Group and commission fee of approximately HK\$170,000 (six months ended 30 June 2011: HK\$321,000) was received from Peking Founder Group. The directors consider that the sales of information products and commission fee were made in accordance with the master agreement.

- (f) On 15 July 2009, the Company entered into an entrusted loan master agreement (the "Entrusted Loan Master Agreement") with Peking Founder, pursuant to which the Group would provide short term loans through a financial institution to Peking Founder Group for the three years ended 31 December 2011. The loan would be unsecured and interest-bearing at the prevailing benchmark Renminbi lending rate for loan period of six months offered by the PBOC plus 10% of such rate.

On 1 November 2011, the Company renewed the Entrusted Loan Master Agreement with Peking Founder, 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 2014. Such loans will be unsecured and interest-bearing at the prevailing benchmark Renminbi lending rate for loan period of six months offered by the PBOC plus 15%.

For the year ended 31 December 2011, an entrusted loan in the amount of RMB80,000,000 (equivalent to approximately HK\$98,080,000) was provided to Peking Founder Group. The entrusted loan was unsecured and bore interest at rate 6.10% per annum, and was fully settled by 12 January 2012. The entrusted loan of RMB80,000,000 (equivalent to approximately HK\$98,080,000) and related interest receivable of approximately HK\$3,176,000 remained undue and were included in prepayments, deposits and other receivables as at 31 December 2011.

## Notes to Condensed Consolidated Interim Financial Statements

30 June 2012

### 13. RELATED PARTY TRANSACTIONS *(continued)*

#### *(I) Transactions with related parties (continued)*

(f) *(continued)*

For the six months ended 30 June 2012, an entrusted loan in the amount of RMB100,000,000 (equivalent to approximately HK\$121,800,000) was provided to Peking Founder Group. The entrusted loan is unsecured and bears interest at rate 7.02% per annum. The entrusted loan of RMB100,000,000 (equivalent to approximately HK\$121,800,000) and related interest receivable of approximately HK\$3,909,000 remained undue and were included in prepayments, deposits and other receivables as at 30 June 2012. Subsequent to the end of the reporting period, the entrusted loan and interest receivables were fully settled by Peking Founder Group.

During the period, interest income earned by the Group from Peking Founder Group amounted to approximately HK\$4,190,000 (six months ended 30 June 2011: HK\$1,205,000). The directors consider that the provision of entrusted loans to and the receipt of interest income from Peking Founder Group was made in accordance with the Entrusted Loan Master Agreement.

(g) 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 terms and conditions provided therein for the three years ending 31 December 2013. Peking Founder has provided guarantee to the Company in the financial services agreement.

As at 30 June 2012, the Group made deposits of approximately HK\$36,910,000 (31 December 2011: HK\$13,302,000) in Founder Finance. During the six months ended 30 June 2012, the Group earned interest income of approximately HK\$584,000 (six months ended 30 June 2011: HK\$552,000). The interest rates on the deposits offered by Founder Finance were the prevailing interest rates offered by the PBOC. The directors consider that the deposit service was provided in accordance with the financial service agreement.

(h) 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 2012 of approximately HK\$243,600,000 (31 December 2011: HK\$245,200,000) were utilised to the extent of approximately HK\$222,451,000 (31 December 2011: HK\$49,606,000).

The related party transactions in respect of items (a) to (g) above for the current interim period also constitute 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 2012

### 13. RELATED PARTY TRANSACTIONS *(continued)*

#### *(II) Outstanding balances with related parties*

- (a) As at 30 June 2012, other than the entrusted loan receivables from Peking Founder Group as disclosed in note 13(l)(f) to the condensed consolidated interim financial statements, balances due from Peking Founder Group included in prepayments, deposits and other receivables were approximately HK\$28,289,000 (31 December 2011: HK\$23,680,000) and balances due to Peking Founder Group included in other payables and accruals were approximately HK\$3,157,000 (31 December 2011: HK\$1,333,000). These balances are unsecured, interest-free and have no fixed terms of repayment.
- (b) The balances due from EC-Founder Group included in prepayments, deposits and other receivables as at 30 June 2012 are approximately HK\$3,692,000 (31 December 2011: HK\$866,000). The balances are unsecured, interest-free and have no fixed terms of repayment.
- (c) The balances due to EC-Founder Group included in other payables and accruals as at 30 June 2012 were approximately HK\$1,451,000 (31 December 2011: Nil). The balances were unsecured, interest-free and had no fixed terms of repayment.
- (d) The balances due from associates included in prepayments, deposits and other receivables in the condensed consolidated statement of financial position as at 30 June 2012 are approximately HK\$36,000 (31 December 2011: HK\$39,000). The balances due to associates included in other payables and accruals in the condensed consolidated statement of financial position as at 30 June 2012 are nil (31 December 2011: HK\$63,000). The balances are unsecured, interest free and have no fixed terms of repayment.
- (e) Details of the Group's trade balances with its related companies as at the end of the reporting period are disclosed in notes 10 and 11 to the condensed consolidated interim financial statements.
- (f) As at 30 June 2012, included in the Group's cash and cash equivalents were deposits of approximately HK\$36,910,000 (31 December 2011: HK\$13,302,000) placed with Founder Finance.

## Notes to Condensed Consolidated Interim Financial Statements

30 June 2012

### 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                  |              |
|   | 2012                     | 2011         |
|   | (Unaudited)              | (Unaudited)  |
|   | HK\$'000                 | HK\$'000     |
| Short term employee benefits                        | 3,983                    | 992          |
| Equity-settled share option expenses                | 1,235                    | -            |
| Post employment benefits                            | <u>7</u>                 | <u>14</u>    |
| Total compensation paid to key management personnel | <u>5,225</u>             | <u>1,006</u> |

### 14. EVENT AFTER THE REPORTING PERIOD

On 20 July 2012, the Group provided a six-month short term loan of RMB100,000,000 (equivalent to approximately HK\$121,800,000) to 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 15% of such rate.

## 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\$716.6 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, 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).

## Management Discussion and Analysis

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 affects 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).

# 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 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.



## Management Discussion and Analysis

### *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.

## Other Information

### Directors' Interests and Short Positions in Shares and Underlying Shares

At 30 June 2012, 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 share options of the Company:*

| <b>Name of directors</b> | <b>Number of options directly beneficially owned</b> |
|--------------------------|--|
| Mr Fang Zhong Hua        | 7,388,000  |
| Professor Xiao Jian Guo  | 7,388,000  |
| Mr Liu Xiao Kun          | 7,388,000  |
| Ms Yi Mei                | 7,388,000  |
| Professor Yang Bin       | 7,388,000  |
|                          | <u>36,940,000</u>                                    |

Save as disclosed above, as at 30 June 2012, 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

### Share Option Scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The following share options were outstanding under the share option scheme at 1 January 2012 and at the end of the period:

| Name or category of participant   | Number of share options outstanding as at 1 January 2012 and 30 June 2012 | Date of grant of share options<br>(Note 1) | Exercise period of share options<br>(Note 2) | Exercise price of share options<br>(Note 3)<br>HK\$<br>per share |
|---|---|--|--|--|
| <b>Executive Directors</b>  |   |  |  |  |
| Mr Fang Zhong Hua   | 7,388,000   | 17.11.2011                                 | 17.11.2012<br>to 16.11.2014                  | 0.296  |
| Professor Xiao Jian Guo   | 7,388,000   | 17.11.2011                                 | 17.11.2012<br>to 16.11.2014                  | 0.296  |
| Mr Liu Xiao Kun   | 7,388,000   | 17.11.2011                                 | 17.11.2012<br>to 16.11.2014                  | 0.296  |
| Ms Yi Mei   | 7,388,000   | 17.11.2011                                 | 17.11.2012<br>to 16.11.2014                  | 0.296  |
| Professor Yang Bin  | 7,388,000   | 17.11.2011                                 | 17.11.2012<br>to 16.11.2014                  | 0.296  |
| Subtotal  | <u>36,940,000</u>   |  |  |  |
| <b>Other employees of the Group</b>   |   |  |  |  |
| In aggregate  | 29,551,900  | 17.11.2011                                 | 17.11.2012<br>to 16.11.2014                  | 0.296  |
| <b>Other employee of member of the substantial shareholder of the Company</b> |   |  |  |  |
| In aggregate  | 7,388,000   | 17.11.2011                                 | 17.11.2012<br>to 16.11.2014                  | 0.296  |
| Total   | <u>73,879,900</u>   |  |  |  |

## Other Information

### Share Option Scheme *(Continued)*

Notes to the table of share options outstanding during the year:

1. The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
2. The options granted on 17 November 2011 are exercisable in the following two tranches:
  - (i) First 40% of the options are exercisable from 17 November 2012 to 16 November 2013; and
  - (ii) The remaining 60% of the options are exercisable from 17 November 2013 to 16 November 2014.
3. 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.

Save as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in the Company granted to any of the directors or their respective spouses 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.

### Substantial Shareholders' and Other Persons' Interests in Shares

At 30 June 2012, 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<br>ordinary<br>shares held | Percentage of<br>the Company's<br>issued share<br>capital |
|---|----------------------------------|--------------------------------------|---|
| 北京北大資產經營有限公司<br>(Peking University Asset<br>Management Company Limited*)<br>(Note)        | Through a controlled corporation | 367,179,610                          | 32.49   |
| 北大方正集團有限公司<br>(Peking University Founder Group<br>Company Limited*) ("Peking<br>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.

## Other Information

### Substantial Shareholders' and Other Persons' Interests in Shares *(Continued)*

Save as disclosed above, as at 30 June 2012, 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.

### 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.

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

Hong Kong  
28 August 2012