



(Incorporated in Bermuda with limited liability)

Stock Code: 00418

INTERIM
REPORT
2014



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Corporate Information

BOARD OF DIRECTORS

Executive directors

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

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 Fang Zhong Hua
 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

Jun He Law Offices

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
 The Belvedere Building
 69 Pitts Bay 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

INTERIM RESULTS

The board of directors (the “Board”) of Founder Holdings Limited (the “Company”) presents the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2014, together with the comparative figures for the corresponding period in 2013. The condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company’s audit committee.

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2014

		For the six months ended 30 June	
		2014	2013
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
REVENUE	2	430,180	502,701
Cost of sales		<u>(288,010)</u>	<u>(371,463)</u>
Gross profit		142,170	131,238
Other income and gains	3	26,698	20,794
Selling and distribution costs		(93,569)	(113,388)
Administrative expenses		(32,176)	(30,639)
Other expenses, net		(63,081)	(57,642)
Finance costs	4	(4,621)	(3,610)
Share of profits and losses of associates		<u>19</u>	<u>1,146</u>
LOSS BEFORE TAX	5	(24,560)	(52,101)
Income tax expense	6	<u>(4,363)</u>	<u>(510)</u>
LOSS FOR THE PERIOD		<u>(28,923)</u>	<u>(52,611)</u>
Attributable to:			
Owners of the parent		(28,823)	(52,724)
Non-controlling interests		<u>(100)</u>	<u>113</u>
		<u>(28,923)</u>	<u>(52,611)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
– Basic		<u>HK(2.47) cents</u>	<u>HK(4.66) cents</u>
– Diluted		<u>HK(2.47) cents</u>	<u>HK(4.66) cents</u>

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014

	For the six months ended	
	30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	(28,923)	(52,611)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of available-for-sale investment	(2,784)	–
Income tax effect	696	–
	(2,088)	–
Share of other comprehensive income/(loss) of associates	82	(613)
Exchange differences on translation of foreign operations	(15,841)	6,678
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	(17,847)	6,065
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	(17,847)	6,065
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(46,770)	(46,546)
Attributable to:		
Owners of the parent	(46,661)	(46,661)
Non-controlling interests	(109)	115
	(46,770)	(46,546)

Condensed Consolidated Statement of Financial Position

30 June 2014

		30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		324,076	333,053
Available-for-sale investment		13,433	15,860
Investment properties		70,292	70,292
Capitalised software costs	9	7,867	7,632
Investment in associates		6,353	6,831
Finance lease receivables		—	7,216
Total non-current assets		<u>422,021</u>	<u>440,884</u>
CURRENT ASSETS			
Inventories		45,620	49,979
Gross amount due from contract customers		4,677	11,496
Trade and bills receivables	10	208,138	218,087
Prepayments, deposits and other receivables		346,083	313,633
Finance lease receivables		—	1,946
Pledged deposits		10,455	11,859
Cash and cash equivalents		<u>375,263</u>	<u>561,448</u>
Total current assets		<u>990,236</u>	<u>1,168,448</u>
CURRENT LIABILITIES			
Trade and bills payables	11	63,271	106,594
Gross amount due to contract customers		9,709	9,882
Receipts in advance, other payables and accruals		218,711	275,545
Interest-bearing bank borrowings	12	182,109	231,014
Tax payable		<u>1,348</u>	<u>3,486</u>
Total current liabilities		<u>475,148</u>	<u>626,521</u>
NET CURRENT ASSETS		<u>515,088</u>	<u>541,927</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>937,109</u>	<u>982,811</u>

Condensed Consolidated Statement of Financial Position

(Continued)

30 June 2014

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
NON-CURRENT LIABILITIES		
Deferred tax liabilities	<u>30,983</u>	<u>32,540</u>
Net assets	<u>906,126</u>	<u>950,271</u>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	116,872	115,985
Reserves	<u>788,978</u>	<u>833,901</u>
	905,850	949,886
Non-controlling interests	<u>276</u>	<u>385</u>
Total equity	<u>906,126</u>	<u>950,271</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Attributable to owners of the parent												
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Employee share-based compensation reserve (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Land and buildings revaluation reserve (Unaudited) HK\$'000	Available-for-sale investment revaluation reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	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
At 1 January 2014	115,985	40,778*	867,910*	5,479*	-*	238,772*	-*	59,842*	54,562*	(433,442)*	949,886	385	950,271
Loss for the period	-	-	-	-	-	-	-	-	-	(28,823)	(28,823)	(100)	(28,923)
Other comprehensive loss for the period:													
Changes in fair value of available-for-sale Investment, net of tax	-	-	-	-	-	-	(2,088)	-	-	-	(2,088)	-	(2,088)
Share of other comprehensive income of associates	-	-	-	-	-	-	-	82	-	-	82	-	82
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(15,832)	-	-	(15,832)	(9)	(15,841)
Total comprehensive loss for the period	-	-	-	-	-	-	(2,088)	(15,750)	-	(28,823)	(46,661)	(109)	(46,770)
Exercise of share options	887	2,834	-	(1,096)	-	-	-	-	-	-	2,625	-	2,625
At 30 June 2014	116,872	43,612*	867,910*	4,383*	-*	238,772*	(2,088)*	44,092*	54,562*	(462,265)*	905,850	276	906,126
At 1 January 2013	113,030	32,470	867,910	5,598	3,685	172,881	-	47,323	45,484	(514,290)	774,091	132	774,223
Loss for the period	-	-	-	-	-	-	-	-	-	(52,724)	(52,724)	113	(52,611)
Other comprehensive income for the period:													
Share of other comprehensive loss of associates	-	-	-	-	-	-	-	(613)	-	-	(613)	-	(613)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	6,676	-	-	6,676	2	6,678
Total comprehensive income for the period	-	-	-	-	-	-	-	6,063	-	(52,724)	(46,661)	115	(46,546)
Equity-settled share option arrangements	-	-	-	1,198	-	-	-	-	-	-	1,198	-	1,198
At 30 June 2013	113,030	32,470	867,910	6,796	3,685	172,881	-	53,386	45,484	(567,014)	728,628	247	728,875

* These reserve accounts comprise the consolidated reserves of HK\$788,978,000 (31 December 2013: HK\$833,901,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Notes	For the six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(24,560)	(52,101)
Adjustments for:			
Finance costs	4	4,621	3,610
Share of profits and loss of associates		(19)	(1,146)
Interest income	3	(9,319)	(5,083)
Gain on disposal of items of property, plant and equipment	5	(39)	(46)
Depreciation	5	8,310	6,646
Amortisation of capitalised software costs	5	1,061	509
Impairment of trade receivables	5	6,183	10,121
Impairment of other receivables	5	3,600	1,714
Loss on termination of finance lease	5	4,444	-
Equity-settled share option expense		-	1,198
		(5,718)	(34,578)
Decrease/(increase) in inventories		4,359	(10,600)
Decrease in gross amount due from contract customers		6,819	1,808
Decrease in trade and bills receivables		3,766	129,906
Increase in prepayments, deposits and other receivables		(20,554)	(47,602)
Decrease in finance lease receivables		-	667
Decrease in trade and bills payables		(43,323)	(73,199)
Increase/(decrease) in gross amount due to contract customers		(173)	19,213
Increase/(decrease) in other payables and accruals		(56,834)	24,257
Exchange differences		2,136	(1,368)
		(109,522)	8,504
Cash generated from/(used in) operations		(109,522)	8,504
Interest received		1,894	1,817
Interest paid		(4,621)	(3,610)
Hong Kong profits tax paid		(24)	(57)
Mainland of the People's Republic of China ("Mainland China" or the "PRC") corporate income tax paid		(6,470)	(2,000)
		(118,743)	4,654
Net cash flows from/(used in) operating activities		(118,743)	4,654

Condensed Consolidated Statement of Cash Flows

(Continued)

For the six months ended 30 June 2014

	Note	For the six months ended	
		30 June	
		2014	2013
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Net cash flows from/(used in) operating activities		(118,743)	4,654
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		11,105	4,036
Dividend received from an associate		415	398
Purchases of items of property, plant and equipment		(2,528)	(1,444)
Addition of capitalised software costs	9	(1,497)	(9,180)
Proceeds from disposal of items of property, plant and equipment		44	313
Decrease in amounts due from associates		-	37
Increase in non-pledged time deposits with original maturity of more than three months when acquired		-	(39,169)
Advances of entrusted loans to related companies		(248,600)	(189,600)
Repayment of entrusted loans from related companies		230,220	124,500
Decrease in pledged deposits		1,404	438
Net cash flows used in investing activities		(9,437)	(109,671)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares upon exercise of share options		2,625	-
New bank loans		34,890	81,160
Repayment of bank loans		(63,100)	(39,992)
Decrease in trust receipt loans		(18,013)	(95,236)
Net cash flows used in financing activities		(43,598)	(54,068)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(171,778)	(159,085)
Cash and cash equivalents at beginning of period		561,448	418,564
Effect of foreign exchange rate changes, net		(14,407)	4,880
CASH AND CASH EQUIVALENTS AT END OF PERIOD		375,263	264,359

Condensed Consolidated Statement of Cash Flows

(Continued)

For the six months ended 30 June 2014

	For the six months ended	
	30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	220,151	264,359
Non-pledged time deposits	155,112	50,560
	<hr/>	<hr/>
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	375,263	314,919
Non-pledged time deposits with original maturity of more than three months when acquired	—	(50,560)
	<hr/>	<hr/>
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	375,263	264,359
	<hr/>	<hr/>

Notes to Condensed Consolidated Interim Financial Statements

30 June 2014

1. ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2014 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 2013, 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 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> – <i>Offsetting Financial Assets and Financial Liabilities</i>
HKAS 36 Amendments	Amendments to HKAS 36 <i>Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>
HK (IFRIC)-Int 21	<i>Levies</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.

Notes to Condensed Consolidated Interim Financial Statements

30 June 2014

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 2014 and 2013:

	Software development and systems integration for media business		Software development and systems integration for non-media business		Corporate		Others		Total	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Segment revenue:										
Sales to external customers	349,299	336,035	80,652	166,517	-	-	229	149	430,180	502,701
Segment results	(29,858)	(49,030)	5,930	(866)	(5,548)	(4,937)	199	113	(29,277)	(54,720)
<i>Reconciliation:</i>										
Interest income									9,319	5,083
Finance costs									(4,621)	(3,610)
Share of profits and losses of associates									19	1,146
Loss before tax									<u>(24,560)</u>	<u>(52,101)</u>

Notes to Condensed Consolidated Interim Financial Statements

30 June 2014

3. OTHER INCOME AND GAINS

	For the six months ended	
	30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	1,894	1,817
Other interest income	7,425	3,266
Gross rental income	805	774
Government grants	15,158	12,963
Others	1,416	1,974
	<u>26,698</u>	<u>20,794</u>

4. FINANCE COSTS

	For the six months ended	
	30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans	<u>4,621</u>	<u>3,610</u>

Notes to Condensed Consolidated Interim Financial Statements

30 June 2014

5. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	8,310	6,646
Amortisation of capitalised software costs	1,061	509
Gain on disposal of items of property, plant and equipment	(39)	(46)
Loss on termination of finance lease	4,444	–
Impairment of trade receivables	6,183	10,121
Impairment of other receivables	3,600	1,714
Provision for obsolete inventories	1,675	3,281
Foreign exchange differences, net	<u>591</u>	<u>254</u>

6. INCOME TAX

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Group:		
Current – Hong Kong		
Charge for the period	191	209
Current – The People's Republic of China ("Mainland China" or the "PRC")		
Charge for the period	–	301
Under provision in prior year	<u>4,172</u>	<u>–</u>
Total tax charge for the period	<u>4,363</u>	<u>510</u>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period (six months ended 30 June 2013: 16.5%).

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 rate at 15% during the six months ended 30 June 2014 and 2013.

Notes to Condensed Consolidated Interim Financial Statements

30 June 2014

6. INCOME TAX *(continued)*

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

For the six months ended 30 June 2013, the share of tax attributable to associates amounting to approximately HK\$339,000 is included in "Share of profits and losses of associates" in the condensed consolidated statement of profit or loss.

7. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic loss per share amounts is based on the unaudited loss for the period attributable to ordinary equity holders of the parent of approximately HK\$28,823,000 (six months ended 30 June 2013: HK\$52,724,000), and the weighted average number of ordinary shares of approximately 1,164,855,000 (six months ended 30 June 2013: 1,130,300,000) in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2014 and 2013 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic 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 2014 (six months ended 30 June 2013: Nil).

Notes to Condensed Consolidated Interim Financial Statements

30 June 2014

9. CAPITALISED SOFTWARE COSTS

	30 June 2014 (Unaudited) HK\$'000
30 June 2014	
Cost at 1 January 2014, net of accumulated amortisation	7,632
Addition – internal development	1,497
Amortisation provided during the period	(1,061)
Exchange realignment	(201)
	<u>7,867</u>
At 30 June 2014	<u>7,867</u>
At 30 June 2014:	
Cost	10,254
Accumulated amortisation	(2,387)
	<u>7,867</u>
Net carrying amount	<u>7,867</u>
	30 June 2013 (Unaudited) HK\$'000
30 June 2013	
Cost at 1 January 2013, net of accumulated amortisation	2,917
Addition – internal development	9,180
Amortisation provided during the period	(509)
Exchange realignment	109
	<u>11,697</u>
At 30 June 2013	<u>11,697</u>
At 30 June 2013:	
Cost	12,327
Accumulated amortisation	(630)
	<u>11,697</u>
Net carrying amount	<u>11,697</u>

Notes to Condensed Consolidated Interim Financial Statements

30 June 2014

9. CAPITALISED SOFTWARE COSTS *(continued)*

During the six-months period ended 30 June 2014 and 2013, capitalised software costs were related to development expenditure on media 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:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Within 6 months	173,972	187,485
7 to 12 months	21,330	9,956
13 to 24 months	12,836	20,646
	<u>208,138</u>	<u>218,087</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\$1,883,000 (31 December 2013: HK\$497,000), and a subsidiary of Peking University Resources (Holdings) Company Limited ("PKU Resources"), in which a 55.40% equity interest was held by a subsidiary of Peking Founder, of approximately HK\$808,000 (31 December 2013: HK\$6,938,000), 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 2014

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:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Within 6 months	53,435	91,684
7 to 12 months	2,471	3,207
13 to 24 months	5,086	3,112
Over 24 months	<u>2,279</u>	<u>8,591</u>
	<u>63,271</u>	<u>106,594</u>

Included in the Group's trade and bills payables are amounts due to subsidiaries of Peking Founder of approximately HK\$901,000 (31 December 2013: HK\$1,260,000), and a subsidiary of PKU Resources of approximately HK\$110,000 (31 December 2013: Nil), 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. INTEREST-BEARING BANK BORROWINGS

On 25 January 2013, 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 (i) an uncommitted trade finance facility; and (ii) and uncommitted short term loan facility, in an aggregate amount of up to US\$25 million (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 Peking Founder holds less than 30% 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 2014, the banking facility drawn by the Group under the Facility Agreement amounted to approximately HK\$183,621,000.

Notes to Condensed Consolidated Interim Financial Statements

30 June 2014

13. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities (31 December 2013: Nil).

14. 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 1 November 2011, Beijing Founder Electronics Co., Ltd. ("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"), subsidiaries 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\$8,686,000 and HK\$6,099,000).

On 1 March 2013, Founder EasiPrint entered into a supplemental agreement with the subsidiary of Peking Founder to revise the annual rental and management fee for the period from 1 March 2013 to 31 December 2014. The aggregate amount of annual rental and management fee were revised to RMB6,463,000 and RMB4,593,000 (equivalent to approximately HK\$8,136,000 and HK\$5,782,000).

During the period, rental and management fees of approximately HK\$6,959,000 (six months ended 30 June 2013: HK\$7,080,000) 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 29 August 2011, the Company entered into a master agreement with PKU Resources to govern the purchase of information products from PKU Resources and its subsidiaries (collectively "PKU Resources Group") for a term of three years from 1 January 2011 to 31 December 2013.

On 9 December 2013, the Company renewed the master agreement with PKU Resources, pursuant to which the Group would purchase information products from PKU Resources Group for a term of three years from 1 January 2014 to 31 December 2016.

During the period, information products in the amount of approximately HK\$98,000 (six months ended 30 June 2013: HK\$1,283,000) were purchased from PKU Resources 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 2014

14. RELATED PARTY TRANSACTIONS *(continued)*

(1) Transactions with related parties (continued)

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

During the six months ended 30 June 2013, sales of HP products of approximately HK\$45,777,000 were made to PKU Resources Group and commission fee of approximately HK\$136,000 was received from PKU Resources Group. The directors considered that the sales of HP products and commission fee were made in accordance with the HP Master Agreement.

- (d) 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 and its subsidiaries (collectively "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\$1,215,000 (six months ended 30 June 2013: HK\$710,000) were purchased from Peking Founder Group. The directors consider that the purchase of products and services were made in accordance with the master agreement.

- (e) On 14 December 2012, the Company renewed a master agreement with Peking Founder for the sales of information products to Peking Founder Group for a term of three years from 1 January 2013 to 31 December 2015.

During the period, sales of information products of approximately HK\$5,430,000 (six months ended 30 June 2013: HK\$17,269,000) were made to Peking Founder Group and commission fee of approximately HK\$16,000 (six months ended 30 June 2013: HK\$52,000) 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 1 November 2011, the Company renewed an entrusted loan master agreement entered with Peking Founder on 15 July 2009, 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 People's Bank of China ("PBOC") plus 15%.

Notes to Condensed Consolidated Interim Financial Statements

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14. RELATED PARTY TRANSACTIONS *(continued)*

(I) Transactions with related parties (continued)

(f) (continued)

For the year ended 31 December 2013, entrusted loans in the amount of RMB330,000,000 (equivalent to approximately HK\$422,070,000) were provided to Peking Founder Group. The entrusted loans were unsecured and bore interest at rate 6.44% per annum, and were settled by 27 August 2013 as to the amount of RMB100,000,000 (equivalent to approximately HK\$127,900,000) and 21 December 2013 as to the amount of RMB50,000,000 (equivalent to approximately HK\$63,950,000). The entrusted loans of RMB180,000,000 (equivalent to approximately HK\$230,220,000) and the related interest receivable of RMB3,235,000 (equivalent to approximately HK\$4,137,000) remained undue and were included in prepayments, deposits and other receivables as at 31 December 2013, and were fully settled by 20 June 2014.

For the six months ended 30 June 2014, an entrusted loan in the amount of RMB200,000,000 (equivalent to approximately HK\$248,600,000) was provided to Peking Founder Group. The entrusted loan is unsecured and bears interest at rate 6.44% per annum. The entrusted loan of RMB200,000,000 (equivalent to approximately HK\$248,600,000) and related interest receivable of RMB333,000 (equivalent to approximately HK\$414,000) remained undue and were included in prepayments, deposits and other receivables as at 30 June 2014.

During the period, interest income earned by the Group from Peking Founder Group amounted to approximately HK\$7,382,000 (six months ended 30 June 2013: HK\$3,266,000). 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.

On 28 July 2014, the Company entered into an 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 2016. Such loans will be unsecured and interest-bearing at the prevailing benchmark Renminbi lending interest rate for loan period of six months offered by the PBOC plus 15% of such rate. Further details of the transaction were set out in the announcement of the Company dated 28 July 2014 and the circular of the Company dated 22 August 2014.

Notes to Condensed Consolidated Interim Financial Statements

30 June 2014

14. RELATED PARTY TRANSACTIONS *(continued)*

(I) Transactions with related parties (continued)

- (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 2014, the Group made no deposit in Founder Finance (31 December 2013: Nil). During the six months ended 30 June 2013, the Group earned interest income of approximately HK\$793,000. 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) On 7 December 2012, the Company entered into a Master Sales Agreement with PKU Resources, pursuant to which the Group would provide PKU Resources Group with the information products developed by the Group, the systems integration products and the related services on a non-exclusive basis, from the date of the agreement to 31 December 2014.

During the six months ended 30 June 2014 and 2013, the Group did not provide any information products, systems integration products or related services to PKU Resources Group.

- (i) On 18 March 2013, Peking Founder and Founder Electronics entered into the Intellectual Properties Transfer Agreement with 新奧特(北京)視頻技術有限公司 (China Digital Video (Beijing) Limited*) ("China Digital Video") to transfer their title and interest in certain patents, patent application rights, trademarks and the software to China Digital Video. On the same date, Peking Founder, Founder Electronics, 北京大學 (Peking University*) (major shareholder of Peking Founder) entered into the Patents License Agreement with China Digital Video to grant certain exclusive rights to use the patents and patent application rights for the entire validity period to China Digital Video. Further details of the transactions were set out in the announcement of the Company dated 18 March 2013 and the circular of the Company dated 16 April 2013.

- (j) 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 2014 of approximately HK\$186,450,000 (31 December 2013: HK\$191,850,000) were utilised to the extent of approximately HK\$76,786,000 (31 December 2013: HK\$113,613,000).

- (k) The banking facilities guaranteed by a Standby Letter of Credit opened by Peking Founder for the trade financing facilities granted to a subsidiary of the Company at 30 June 2014 of approximately HK\$11,809,000 (31 December 2013: Nil) were utilised to the extent of approximately HK\$4,684,000 (31 December 2013: Nil).

* For identification purpose only

Notes to Condensed Consolidated Interim Financial Statements

30 June 2014

14. RELATED PARTY TRANSACTIONS *(continued)*

(I) Transactions with related parties (continued)

The related party transactions in respect of items (a) to (i) 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.

(II) Outstanding balances with related parties

- (a) As at 30 June 2014, other than the entrusted loan receivables from Peking Founder Group as disclosed in note 14(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\$8,134,000 (31 December 2013: HK\$9,558,000) and balances due to Peking Founder Group included in other payables and accruals were approximately HK\$24,715,000 (31 December 2013: HK\$25,905,000). These balances are unsecured, interest-free and have no fixed terms of repayment.
- (b) The balances due from PKU Resources Group included in prepayments, deposits and other receivables as at 30 June 2014 are approximately HK\$144,000 (31 December 2013: HK\$192,000). The balances are unsecured, interest-free and have no fixed terms of repayment.
- (c) 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.

(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	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	2,821	2,598
Equity-settled share option expenses	—	599
	<hr/>	<hr/>
Total compensation paid to key management personnel	2,821	3,197
	<hr/>	<hr/>

Management Discussion and Analysis

OVERALL PERFORMANCE

The Group reported an unaudited consolidated loss attributable to owners of the parent for the six months ended 30 June 2014 of approximately HK\$28.8 million (six months ended 30 June 2013: HK\$52.7 million). The Group's turnover for the current interim period decreased by 14.4% to approximately HK\$430.2 million (six months ended 30 June 2013: HK\$502.7 million) due to decrease in sales of information products for non-media segment and sales of hardware for media segment. Gross profit for the current interim period increased by 8.3% to HK\$142.2 million compared with last interim period's HK\$131.2 million. Gross profit ratio increased from 26.1% for the last interim period to 33.0% for the current interim period as a result of increase in proportion of sales of software and technical services with higher gross profit margin.

The improvement in the Group's operating results for the year attributable to the equity holders of the parent was mainly the net results of:

- a. an increase in the gross profit by 8.3% to approximately HK\$142.2 million (six months ended 30 June 2013: HK\$131.2 million);
- b. an increase in other income and gains by 28.4% to approximately HK\$26.7 million (six months ended 30 June 2013: HK\$20.8 million) as a result of increase in government grants for the sale of software approved by the PRC tax authority and the development of software in Mainland China; and
- c. a decrease in total selling and distribution costs, administrative expenses and other expenses, net by 6.4% to approximately HK\$188.8 million (six months ended 30 June 2013: HK\$201.7 million) as a result of reduction in number of staff and strict control on expenses imposed by the management under the competitive operating environment.

Basic and diluted loss per share attributable to equity holders of the parent for the year were HK2.47 cents (six months ended 30 June 2013: HK4.66 cents).

OPERATING REVIEW AND PROSPECTS

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

The turnover of the media business of the Group for the current interim period increased slightly by 3.9% to approximately HK\$349.3 million (six months ended 30 June 2013: HK\$336.0 million). The segment results recorded a loss of approximately HK\$29.9 million (six months ended 30 June 2013: HK\$49.0 million). The gross profit ratio for the media business was maintained at 38.0%. The improvement in segment results was due to reduction in number of staff and strict control on expenses imposed by the management.

Management Discussion and Analysis

Printing Business

Beijing Founder Electronics Co., Ltd. (“Founder Electronics”, the wholly-owned subsidiary of the Group) commenced to seek sample users in the commercial market for its “all-in-one” (全能印廠) package solutions, being the leader in the network printing development, driving our transformation of business model to network and service. Our printing-on-demand cloud platform tailored for the printing market was implemented in Nanjing Phoenix Printing (南京鳳凰印務), which strengthened our leading position in the printing market. We also achieved our comprehensive coverage in 30 provinces throughout the nation of our remote safety transmission system for nine-year compulsory education teaching materials. During the current interim period, we launched a series of Founder EagleJet (方正榮鷹) inkjet printers with proprietary intellectual property rights based on inkjet core technology, playing a leading position in the coding market of drug supervision code and two-dimension code.

Digital Media Business

During the current interim period, Founder Electronics continued to strengthen its advantage in respect of all-round media integration platform in the context of media integration and transformation, with market share exceeding 75%, capturing a leading position in the industry in the PRC. The new media matrix integration and marketing platform based on media large-scale data has made great progress, and reached cooperation intension with various newspaper publishers, playing a leading position in the management and application of internet content assets and user assets in the PRC. In addition, the Company have strategic cooperation with a number of media in respect of internet large-scale data information service in the PRC to successfully enter into information service field, laying a solid foundation for the sustainable and stable development of the Company.

Public Sentiment Business

During the current interim period, Founder Electronics adjusted the strategic direction of its public sentiment business to internet large-scale data information service in response to the development trend of mobile internet in the PRC. The internet information service platform launched in June 2014 is based on a data center featured with distributed computation and storage by collecting network-wide information (including website news, forums, commentaries, Blog (博客), MicroBlog (微博), WeChat (微信), news applications as well as overseas mainstream media and social platforms). In just over one month after the launch, we successfully secured contracts to provide internet information service for over 30 government and enterprise clients, laying a solid foundation for its future development. With respect to enterprise information service, Founder Electronics succeeded in cooperating with famous brands around the world in the fields of household appliances and automobiles with its strong strength in technology research and development, expanding new business field and market presence. In addition, for traditional internet public sentiment information service, we undertook certain large-scale construction projects in the PRC to consolidate its traditional strength and market position.

Management Discussion and Analysis

Electronic Publishing Business

During the current interim period, Founder Electronics launched “Intelligent Publishing” (智慧出版) solution, establishing cross terminal mobile publishing platform, online education learning and training platform, professional information and knowledge service platform and self-publishing platform based on SMAC philosophy, and analyzing the behavioral preference of readers by utilizing large-scale data analysis and cloud computing technology to offer them accurate content and personalized service, enabling the publishing business more intelligent. Founder “Intelligent Publishing” solution has obtained orders from Central China Publishing & Media Group (中原出版集團), Yunnan Education Press (雲南教育出版社), Indaa Media (英大傳媒), Guangming Daily Press (光明日報出版社) and Central Radio & TV University Press (廣播電視大學出版社) etc.

Font Library Business

During the current interim period, Founder Electronics introduced various new fonts, including but not limited to Founder YouHei (方正悠黑), Founder LanTingYuan (方正蘭亭圓) and Founder JunHei (方正俊黑). The 7th “Founder Award” Chinese Font Design Contest was successfully held in Beijing, and the exhibition of works and invitation exhibition were held in Nanjing. We also started the Support Program of Design Schools Genuine Fonts (設計院校正版字體支持計劃) to increase its investment in Chinese font design education, injecting more fresh blood to the future development of font library industry and driving the development of the overall font library industry. In respect of B2C business, Founder Electronics launched “Mr. writing” (寫字先生) with IOS version and Android version. Users can make use of the program to practise calligraphy and create font design on a phone screen, and then share their works on social networks. That product is expected to play as a platform for calligraphy lovers.

Digital Education Business

During the current interim period, Founder Electronics continued to be committed in the development of digital education business. As a service provider of digital education, Founder Electronics will incorporate platform, resources and services to make the smart class system better and stronger. We started with solutions by providing e-textbooks and courseware creation tools, smart class, digital campus and education cloud platform solutions; intensified education service by providing interactive teaching service and O2O teacher training service; optimized content creation by providing interactive teaching design, e-textbooks/courseware creation and micro-class materials creation service; and integrated various resources by deeply cooperating with publishers and educational institutions, aggregating e-textbooks, courseware resources, test library and micro-class materials, constructing a cloud service platform supported by interactive teaching and developing resources service featured with combination of e-textbooks and interactive teaching.

Management Discussion and Analysis

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

The turnover of the non-media business of the Group for the current interim period decreased by 51.6% to approximately HK\$80.7 million (six months ended 30 June 2013: HK\$166.5 million) while its segment results has recorded a profit of approximately HK\$5.9 million (six months ended 30 June 2013: loss of HK\$0.9 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, Hitachi, IBM and Oracle Systems. The decrease in segment revenue were mainly due to decrease in sales of information products in the banking sector in the PRC and decrease in sales of HP products to a subsidiary of Peking University Resources (Holdings) Company Limited, a related company of the Company. The demand of information products was lower during the after the banking systems and other information systems have been upgraded by the customers in the previous period. The improvement in segment results was due to increase in the proportion of service income with higher gross profit margin.

PROSPECTS

To deal with the business growth, the management of the Group 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.

Management Discussion and Analysis

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 interim period.

As at 30 June 2014, the number of employees of the Group was approximately 1,174 (31 December 2013: 1,259).

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 2014, the Group had interest-bearing bank borrowings of approximately HK\$182.1 million (31 December 2013: HK\$231.0 million), of which HK\$40.1 million (31 December 2013: HK\$71.8 million) were fixed interest bearing and HK\$142.0 million (31 December 2013: HK\$159.2 million) were 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 北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder"), a substantial shareholder of the Company, the Government of the Hong Kong Special Administrative Region under the SME Loan Guarantee Scheme, certain of the Group's land and buildings, investment properties and bank deposits and bank deposits of related company.

At 30 June 2014, the Group recorded total assets of HK\$1,412.3 million which were financed by liabilities of HK\$506.1 million, non-controlling interests of HK\$0.3 million and equity of HK\$905.9 million. The Group's net asset value per share as at 30 June 2014 amounted to HK\$0.78 (31 December 2013: HK\$0.82).

The Group had total cash and bank balances of HK\$385.7 million as at 30 June 2014 (31 December 2013: HK\$573.3 million). After deducting total bank borrowings of HK\$182.1 million (31 December 2013: HK\$231.0 million), the Group recorded net cash and bank balances of HK\$203.6 million as at 30 June 2014 as compared to HK\$342.3 million as at 31 December 2013. 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 2014, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders' equity, was 0.20 (31 December 2013: 0.24) while the Group's working capital ratio was 2.08 (31 December 2013: 1.86).

At 30 June 2014, the Group did not have any material capital expenditure commitments.

* For identification purpose only

Management Discussion and Analysis

Treasury policies

The Group adopts conservative treasury policies and controls tightly over its cash and risk management. The Group's cash and cash equivalents are held mainly in HKD, RMB and U.S. dollars. Surplus cash is generally placed in short term deposits denominated in HKD, RMB and U.S. dollars.

Exposure to fluctuations in exchange rates and related hedges

The Group operates mainly in Hong Kong and Mainland China. For the operations in Hong Kong, most of the transactions are denominated in HKD and U.S. dollars. The exchange rate of U.S. dollars against HKD is relatively stable and the related currency exchange risk is considered minimal. For the operations in Mainland China, most of the transactions are denominated in RMB. No financial instrument was used for hedging purposes. It is expected that the appreciation of RMB in the long-run would have a favourable impact on the Group.

Contracts

At 30 June 2014, the major contracts in hand for the software development and systems integration business amounted to approximately HK\$277.9 million (31 December 2013: 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 disposal of subsidiaries and associates during the six months ended 30 June 2014.

Charges on assets

At 30 June 2014, the Group's land and buildings in Hong Kong of approximately HK\$79.7 million and investment properties of approximately HK\$68.8 million and bank deposits of approximately HK\$10.5 million were pledged to banks to secure banking facilities granted.

Future Plans for Material Investments or Capital Assets

The Group did not have any concrete future plans for material investments or capital assets as at 30 June 2014. However, the Group always seeks for new investment opportunities in the software development and systems integration business to broaden the revenue and profit base of the Group and enhance shareholders' value in long term.

Contingent liabilities

At 30 June 2014, the Group did not have any significant contingent liabilities.

Other Information

Directors' Interests and Short Positions in Shares and Underlying Shares

At 30 June 2014, 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 the Company:

Name of director	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr Fang Zhong Hua	Directly beneficially owned	2,955,200	0.25
Professor Xiao Jian Guo	Directly beneficially owned	2,955,200	0.25
Professor Yang Bin	Directly beneficially owned	2,955,200	0.25
Ms Yi Mei	Directly beneficially owned	2,955,200	0.25

Long positions in share options of the Company:

Name of directors	Number of options directly beneficially owned
Mr Fang Zhong Hua	4,432,800
Professor Xiao Jian Guo	4,432,800
Professor Yang Bin	4,432,800
Ms Yi Mei	4,432,800
	<u>17,731,200</u>

Save as disclosed above, as at 30 June 2014, 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 2014 and at the end of the period:

Name or category of participant	Number of share options			Date of grant of share options <i>(Note 1)</i>	Exercise period of share options <i>(Note 2)</i>	Exercise price of share options <i>(Note 3)</i> HK\$ per share
	At 1 January 2014	Exercised during the year	At 30 June 2014			
<i>Executive Directors</i>						
Mr Fang Zhong Hua	4,432,800	-	4,432,800	17.11.2011	17.11.2012 to 16.11.2014	0.296
Professor Xiao Jian Guo	4,432,800	-	4,432,800	17.11.2011	17.11.2012 to 16.11.2014	0.296
Professor Yang Bin	4,432,800	-	4,432,800	17.11.2011	17.11.2012 to 16.11.2014	0.296
Ms Yi Mei	4,432,800	-	4,432,800	17.11.2011	17.11.2012 to 16.11.2014	0.296
Subtotal	17,731,200	-	17,731,200			
<i>Other employees of the Group</i>						
In aggregate	26,596,740	(8,865,600)	17,731,140	17.11.2011	17.11.2012 to 16.11.2014	0.296
Total	44,327,940	(8,865,600)	35,462,340			

Other Information

Share Option Scheme *(Continued)*

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

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 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.
4. The weighted average closing price of the Company's shares immediately before the exercise dates of the share options was HK\$0.53 per share.

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 2014, 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
北大資產經營有限公司 (Peking University Asset Management Company Limited*) (Note)	Through a controlled corporation	367,179,610	31.66
北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder")	Through a controlled corporation	367,179,610	31.66
北大方正信息產業集團有限公司 (Peking University Founder Information Industry Group Co., Ltd. *)	Directly beneficially owned	367,179,610	31.66

* For identification purpose only

Other Information

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

Notes:

1. 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.
2. Peking Founder was deemed to be interested in the 367,179,610 shares under the SFO by virtue of its interest in Peking University Founder Information Industry Group Co., Ltd.

Save as disclosed above, as at 30 June 2014, 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

The Company has not redeemed any of its listed securities during the six months ended 30 June 2014. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 30 June 2014.

Corporate Governance

The Company has complied with all code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange throughout the six months ended 30 June 2014, except for the following deviations:

Provision E.1.2 of the CG Code provides that the Chairman of the board should attend the annual general meeting. Mr Fang Zhong Hua could not attend the annual general meeting of the Company held on 23 May 2014 due to business commitment in the PRC. Professor Yang Bin, the President of the Company, was present thereat to be available to answer questions at the annual general meeting.

Model Code for Securities Transactions by Directors of Listed Issuer

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. Having made specific enquiry by the Company, all directors have confirmed that they have complied with the Model Code regarding directors' securities transactions throughout the accounting period covered by the interim report.

Other Information

Audit Committee

The Audit Committee has reviewed the Group's condensed consolidated interim financial statements for the six months ended 30 June 2014, 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 2014