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FOUNDER HOLDINGS LIMITED
方正控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code : 00418)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

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 2016, together with the comparative figures for the corresponding period in 2015. 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 2016

	NOTES	For the six months ended 30 June	
		2016 (Unaudited) HK\$’000	2015 (Unaudited) HK\$’000
Revenue	2	415,387	398,415
Cost of sales		(254,969)	(254,725)
Gross profit		160,418	143,690
Other income and gains	3	33,195	27,510
Selling and distribution expenses		(113,425)	(99,378)
Administrative expenses		(33,648)	(36,261)
Other expenses, net		(40,111)	(51,364)
Finance costs	4	(3,866)	(4,546)
Share of losses of associates		(40)	(348)
Profit/(loss) before tax	5	2,523	(20,697)
Income tax	6	(4,687)	(17,899)
Loss for the period		(2,164)	(38,596)

		For the six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
	<i>NOTES</i>	HK\$'000	<i>HK\$'000</i>
Attributable to:			
Owners of the parent		(2,113)	(38,538)
Non-controlling interests		(51)	(58)
		<u>(2,164)</u>	<u>(38,596)</u>
Loss per share attributable to ordinary equity holders of the parent	7		
– Basic and diluted		<u>HK(0.18) cents</u>	<u>HK(3.21) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period	(2,164)	(38,596)
Other comprehensive income/(loss)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income/(loss) of associates	79	(140)
Exchange differences on translation of foreign operations	(8,565)	417
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	(8,486)	277
Other comprehensive income/(loss) for the period, net of tax	(8,486)	277
Total comprehensive loss for the period	(10,650)	(38,319)
Attributable to:		
Owners of the parent	(10,597)	(38,261)
Non-controlling interests	(53)	(58)
Total comprehensive loss for the period	(10,650)	(38,319)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2016

		30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		318,766	329,561
Investment properties		99,533	99,648
Investment in associates		5,120	5,148
Available-for-sale investment		4,079	6,682
Intangible assets	8	6,846	9,795
Deferred tax asset		1,171	1,367
Pledged deposit		3,012	1,791
		438,527	453,992
Total non-current assets			
Current assets			
Inventories		75,933	77,281
Gross amount due from contract customers		38,764	27,142
Trade and bills receivables	9	175,941	156,093
Prepayments, deposits and other receivables		296,269	307,767
Equity investments at fair value through profit or loss		642	922
Pledged deposits		15,171	22,145
Cash and cash equivalents		573,557	612,873
Tax recoverable		–	276
		1,176,277	1,204,499
Total current assets			
Current liabilities			
Trade and bills payables	10	65,635	66,158
Gross amount due to contract customers		21,194	28,638
Other payables and accruals		327,632	382,637
Interest-bearing bank borrowings		191,710	160,190
Tax payable		4,452	5,052
		610,623	642,675
Total current liabilities			
Net current assets		565,654	561,824
Total assets less current liabilities		1,004,181	1,015,816

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Non-current liabilities		
Deferred tax liabilities	<u>33,619</u>	<u>34,604</u>
Net assets	<u>970,562</u>	<u>981,212</u>
Equity		
Equity attributable to owners of the parent		
Issued capital	119,975	119,975
Reserves	<u>850,395</u>	<u>860,992</u>
	970,370	980,967
Non-controlling interests	<u>192</u>	<u>245</u>
Total equity	<u>970,562</u>	<u>981,212</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2016

1. ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2016 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 unaudited condensed consolidated interim financial statements are the same as those used in the annual consolidated financial statements for the year ended 31 December 2015, 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 14	<i>Regulatory Deferral Accounts</i>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	<i>Amendments to a number of HKFRSs</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 2016 and 2015:

	Software development, systems integration and information products distribution for media business		Information products distribution for non-media business		Corporate		Others		Total	
	2016 (Unaudited) HK\$’000	2015 (Unaudited) HK\$’000	2016 (Unaudited) HK\$’000	2015 (Unaudited) HK\$’000	2016 (Unaudited) HK\$’000	2015 (Unaudited) HK\$’000	2016 (Unaudited) HK\$’000	2015 (Unaudited) HK\$’000	2016 (Unaudited) HK\$’000	2015 (Unaudited) HK\$’000
Segment revenue:										
Sales to external customers	410,580	374,322	4,537	23,888	-	-	270	205	415,387	398,415
Segment results	6,048	(14,751)	18	(1,974)	(4,348)	(6,678)	183	157	1,901	(23,246)
<i>Reconciliation:</i>										
Interest income									6,635	9,047
Foreign exchange differences, net									(2,107)	(1,604)
Finance costs									(3,866)	(4,546)
Share of losses of associates									(40)	(348)
Profit/(loss) before tax									2,523	(20,697)

3. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2016	2015
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Bank interest income	1,559	1,952
Other interest income	5,076	7,095
Gross rental income	1,675	1,395
Government grants	22,623	15,191
Fair value gain on equity investments at fair value through profit or loss	–	577
Others	2,262	1,300
	33,195	27,510

4. FINANCE COSTS

	For the six months ended 30 June	
	2016	2015
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Interest on bank loans	3,866	4,546

5. PROFIT/(LOSS) BEFORE TAX

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

	<i>NOTE</i>	For the six months ended 30 June	
		2016	2015
		(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Cost of goods sold		212,744	218,691
Depreciation		8,942	8,531
Amortisation of intangible assets	8	2,855	3,861
Gain on disposal of items of property, plant and equipment		(63)	(185)
Impairment of trade receivables		52	5,960
Impairment of other receivables		3,832	3,368
Impairment of available for sale investment		2,899	659
Fair value loss/(gain) on equity investments at fair value through profit or loss		326	(577)
Provision for obsolete inventories		4,114	5,742
Foreign exchange differences, net		2,107	1,604

6. INCOME TAX

	For the six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Current – Hong Kong		
Charge for the period	–	122
Current – Mainland China		
Charge for the period	3,857	1,559
Underprovision/(overprovision) in prior year	1,145	(320)
Other tax provision made in current period	–	16,538
Deferred	(315)	–
	<hr/>	<hr/>
Total tax charge for the period	4,687	17,899

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 2015: 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 2016 and 2015. During the six months ended 30 June 2015, one of the Company's PRC subsidiaries, Beijing Founder Electronics Co., Ltd. ("Founder Electronics") provided corporate income tax in aggregate amount of HK\$16,538,000 in respect of the government grants received previously. The amount was fully paid to the local tax bureau by 30 June 2015.

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

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\$2,113,000 (six months ended 30 June 2015: HK\$38,538,000), and the weighted average number of ordinary shares of approximately 1,199,747,000 (six months ended 30 June 2015: 1,199,747,000) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during six months ended 30 June 2016 and 30 June 2015.

8. INTANGIBLE ASSETS

	<i>NOTES</i>	Patents and acquired software (Unaudited) <i>HK\$'000</i>	Development expenditure on media software (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
30 June 2016				
Cost at 1 January 2016, net of accumulated amortisation and impairment		6,233	3,562	9,795
Amortisation provided during the period	5	(1,555)	(1,300)	(2,855)
Exchange realignment		(64)	(30)	(94)
At 30 June 2016		<u>4,614</u>	<u>2,232</u>	<u>6,846</u>
At 30 June 2016:				
Cost		9,917	10,503	20,420
Accumulated amortisation and impairment		(5,304)	(8,270)	(13,574)
Net carrying amount		<u>4,613</u>	<u>2,233</u>	<u>6,846</u>
30 June 2015				
Cost at 1 January 2015, net of accumulated amortisation		–	7,403	7,403
Acquisition from related companies		12,310	–	12,310
Amortisation provided during the period	5	(1,988)	(1,873)	(3,861)
Exchange realignment		28	–	28
At 30 June 2015		<u>10,350</u>	<u>5,530</u>	<u>15,880</u>
At 30 June 2015:				
Cost		12,343	11,270	23,613
Accumulated amortisation		(1,993)	(5,740)	(7,733)
Net carrying amount		<u>10,350</u>	<u>5,530</u>	<u>15,880</u>

9. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Trade and bills receivables are settled in accordance with the terms of the respective contracts. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. 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 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Within 6 months	137,783	116,469
7 to 12 months	17,582	15,909
13 to 24 months	9,980	23,715
Over 24 months	10,596	–
	<u>175,941</u>	<u>156,093</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\$13,884,000 (31 December 2015: HK\$14,212,000), which are repayable on similar credit terms to those offered to the major customers of the Group.

* For identification purpose only

10. 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 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Within 6 months	43,779	44,884
7 to 12 months	10,013	6,235
13 to 24 months	3,859	4,826
Over 24 months	7,984	10,213
	<u>65,635</u>	<u>66,158</u>

Included in the Group's trade and bills payables are amounts due to subsidiaries of Peking Founder of approximately HK\$962,000 (31 December 2015: HK\$1,390,000), which are repayable on similar credit terms to those offered by the related companies to their major customers.

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

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

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 2016 of approximately HK\$2.1 million (six months ended 30 June 2015: HK\$38.5 million). The Group's turnover for the current interim period increased by 4.3% to approximately HK\$415.4 million (six months ended 30 June 2015: HK\$398.4 million) due to increase in sales of software products for media segment. Gross profit for the current interim period increased by 11.6% to approximately HK\$160.4 million (six months ended 30 June 2015: HK\$143.7 million). Gross profit ratio increased from 36.1% for the last interim period to 38.6% for the current interim period as a results 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 current interim period attributable to the equity holders of the parent was mainly the net results of:

- a. an increase in revenue by 4.3% to approximately HK\$415.4 million (six months ended 30 June 2015: HK\$398.4 million); and
- b. a decrease in tax from approximately HK\$17.9 million to HK\$4.7 million as a result of other tax provision made in prior period in respect of the government grants received.

Basic and diluted loss per share attributable to equity holders of the parent for the year were HK0.18 cents (six months ended 30 June 2015: HK3.21 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 by 9.7% to approximately HK\$410.6 million (six months ended 30 June 2015: HK\$374.3 million). The segment results recorded a profit of approximately HK\$6.0 million (six months ended 30 June 2015: loss of HK\$14.8 million). The gross profit ratio for the Media Business for the current interim period increased to 39.0% (six months ended 30 June 2015: 38.0%). The improvement in segment results was due to increase in segment revenue and strict control on expenses.

Font Library Business

The environment of font library copyright continued to improve in 2016. The lawsuit for infringement against the use of font library by an enterprise in Guangzhou was ruled. The exhibition named “The Way of Type 2016” was held in National Centre for the Performing Arts. The “Predict the Future from the Past – Tribute to Predecessors & New Product Release of FounderType” was held in Shanghai. During the event, ten new series of Chinese fonts such as ShuiYun (水雲), RuiZhengHei (銳正黑), DiHou Ti (帝后體) and YaZhu Ti (雅珠體) were launched together with 32 series of Western fonts in cooperation with TypeTogether. Solutions for unzipping Founder font and for Web font, as well as the social platform “Mr. writing” (寫字先生) were also formally launched along with the strategy of “opening doors for cooperation to win the future”. We also continued push forward the major scientific and technological project in press and publication industry, being the development of the 17th and 20th pack of the Chinese font library project. The Founder font library was launched simultaneously at various mobile App stores, including MI (小米), Coolpad and Oppo, etc., which are available for purchase by netizens.

Internet Large-scale Data Business

Amidst the rapid development of informationisation in fields of economy, politics, culture and society, we capitalised on the internet large-scale data analysis technology with proprietary intellectual property rights to develop featured technologies with high data volume, speed and variety, comprehensive analysis and user-friendly application, forming an internet large-scale data resolution oriented to various fields. In particular, we undertook various large-scale construction projects in the industries where we own traditional strength and achieved market share of over 80%. We developed a mature product model based on our traditional technology, which rapidly expanded our presence in advantageous markets. We also built the service model of cloud service platform that can achieve reduced consumption and enhanced efficiency. Software users can access to the large-scale data in the absence of any hardware. Meanwhile, this could achieve the fast iteration of technology and obtain rapid market coverage. With the strong support of Graduate School of Peking University, a group of highly professional technicians who are specialised in internet large-scale data were nurtured. After years of experience and efforts, they developed an insight and in-depth understanding of the internet large-scale data industry to some extent, and were highly praised among national industry experts for several times over the achieved projects. Moreover, based on the existing businesses and technologies, we continued to attract talents, allocate more resources to the data center and utilise the specific fund for technological research and development and product planning so as to further consolidate our position in the industry through technological advancement.

Printing Business

Against the digital-dominated and intelligence-driven environment, we continued to develop comprehensive solution for ink-jetting and digital printing with an aim to provide the printing industry with “all-in-one” (全能印廠) solutions that perfectly integrates traditional and digital printing technology as well as the internet, which will help printing corporations to realise industrial upgrade in the mobile internet era. This also facilitated the continued transformation of Founder’s business model towards service-oriented and established Founder’s leading position in terms of market share and technological guidance. At present, the printing industry is facing unprecedented challenges and opportunities. Looking forward, inkjet technology will be the growth driver of the printing industry in terms of technology whereas packaging market will be where opportunity arises for the development of the industry in terms of market. Founder began to develop inkjet technology since 2005. Currently, we have 15 models under 3 series. In 2016, we planned to launch various new systems like K800S (for metal printing market) and P5600 (for POD market) to top the market share in packaging markets of cachet, cigarette package, labels, soft pack and metal, and consolidate Founder’s leading position in the area of inkjet technology in China. In addition, we put greater effort on the research and development and innovation of proprietary intellectual property rights. For example, we continued to improve the following areas: our electronic film solutions for safety transmission of primary and secondary school teaching materials, the backbone of intelligent production and digital workflow for mixed digital printing and production, QR code anti-counterfeiting, source tracing system in response to the demands of anti-counterfeiting and source tracing and marketing. We also developed the digital printing cloud platform to solve the issue of accuracy, safety and production efficiency of content production faced by publishers in the internet era. These gradually build up a strong protection for technology to meet the needs of the future.

Digital Media Business

As the performance of traditional media has been declining year by year, we proactively planned for our large-scale data structure and our analysis and application technology. By capitalizing on the development opportunities of media integration to rapidly boost industry layout, we have formed three key product areas, namely the “media integration platform”, “new media matrix platform” and “large-scale data application platform” and gained the leading position in the market. Among these three product areas, the “media integration platform” has reached over 85% in terms of market share and established collaborative relationships with newspaper publishers across central, provincial and municipal levels; the “new media matrix platform” has obtained the reconfigurable technology and system and has formed typical sample users nationwide at central and municipal levels. For the development of news apps, “Nanfang +” (南方+) of Guangdong, “Intersection Point” (交匯點) of Jiangsu and “Xinrui Dazhong” (新銳大眾) of Shandong have become industry benchmarks with significant influence; the “large-scale data application platform” has made breakthroughs in Ningbo Daily and Dazhong daily with a promising future. Meanwhile, with regard to business transformation, we will stick to the principle of mobilisation, digitalisation, platformisation and service-

oriented and will make innovation to the three Internet application platforms. Media large-scale data application platform provides services for media editing such as large-scale data hot news, report command, convergence of special topics, follow-up report, diffusion analysis and user management. The integrated open platform of Xinkong Cloud Pan-Media provides integrated, comprehensive, multi-terminal and cloud services for new media hub to local media, governmental new media, corporate new media and self-media. The service platform of media public sentiment cooperates with media to commence sentimental information services for governments and enterprises in various local areas and industries. In consideration of future development, the digital media business has already planned for different aspects including technologies, markets, innovative products and services, laying a solid foundation for sustainable development in the future.

Digital Publishing Business

Driven by the technologies of mobile internet, cloud computing and large-scale data, the publishing industry in China has entered into the “integration” stage of development with traditional publishing transforming towards digital publishing. Based on the technologies including mobile internet, large-scale data and cloud computing, Founder Electronics created Intelligent Publishing (智慧出版) solution to promote the transformation and upgrading towards digital publishing industry and business model innovation, improved Shuchang Book Collaborative Compiling Platform (書暢圖書協同編撰平台) mainly through content production platform, developed Shuchang Digital Reference Book Compiling Platform (書暢工具書數字化編撰平台), Journal Synchronised Publishing Platform (科技期刊同步出版平台), Zhixiang New Media Operation Release Platform (智享新媒體運營發佈平台), Large-scale Data Intellectual Service Platform (大數據知識服務平台) for professional publishing, Online Education Platform (在線教育平台) for education publishing, which has contributed to the integrated development, transformation and innovation of the publishing industry. Founder’s Intelligent Publishing solution has obtained dozens of major orders from China Publishing Group, People’s Education Press, China Modern Economic Publishing House, China Financial Publishing House and Shanghai People’s Fine Arts Publishing House, reflecting our technology strength and advantages and continuing to lead the development of digital publishing technologies.

Digital Education Business

Relying on Founder Feixiang Digital Textbook Development Tool (方正飛翔數字教材開發工具), we have undertaken a number of digital textbook development projects, such as projects of Beijing Academy of Educational Sciences and Guangdong Publishing and Media Group (廣東出版傳媒集團). By developing digital textbooks that are more interactive with rich media contents, scenarios and games, we took the lead in the development of digital textbooks for elementary education both in terms of technology and market share. Besides, we have extended professional publishing areas to undertake a number of digital textbook development projects of China Coal Industry Publishing House for vocational education and higher education. We have launched Cloud Release Platform for digital textbooks, which effectively facilitated the expansion of our business from technology towards resources and services.

(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 81.0% to approximately HK\$4.5 million (six months ended 30 June 2015: HK\$23.9 million) while its segment results has recorded a profit of approximately HK\$0.02 million (six months ended 30 June 2015: loss of HK\$2.0 million).

The major products provided by the Non-Media Business include various information products such as servers, storage devices and workstations of a number of internationally famed and branded information products manufacturers such as HP, Hitachi, IBM, Oracle Systems and Siemon. The decrease in segment revenue were mainly due to decrease in sales of information products in the banking sector in the PRC. The improvement in segment results was due to decline in impairment of trade receivables during the current interim period.

PROSPECTS

To deal with the business growth, the management of the Group will closely monitor changes in the PRC’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 interim period.

As at 30 June 2016, the number of employees of the Group was approximately 1,098 (31 December 2015: 1,171).

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 2016, the Group had interest-bearing bank borrowings of approximately HK\$191.7 million (31 December 2015: HK\$160.2 million), of which HK\$133.6 million (31 December 2015: HK\$96.6 million) were fixed interest bearing and HK\$58.1 million (31 December 2015: HK\$63.6 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), PKU Founder Group Finance Co., Ltd. (a subsidiary of Peking Founder), certain of the Group’s land and buildings, investment properties and bank deposits.

As at 30 June 2016, the Group recorded total assets of HK\$1,614.8 million which were financed by liabilities of HK\$644.2 million, non-controlling interests of HK\$0.2 million and equity of HK\$970.4 million. The Group’s net asset value per share as at 30 June 2016 amounted to HK\$0.81 (31 December 2015: HK\$0.82).

The Group had total cash and bank balances of HK\$588.7 million as at 30 June 2016 (31 December 2015: HK\$635.0 million). After deducting total bank borrowings of HK\$191.7 million (31 December 2015: HK\$160.2 million), the Group recorded net cash and bank balances of HK\$397.0 million as at 30 June 2016 as compared to HK\$474.8 million as at 31 December 2015. 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 2016, the Group’s gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders’ equity, was 0.20 (31 December 2015: 0.16) while the Group’s working capital ratio was 1.93 (31 December 2015: 1.87).

At 30 June 2016, the Group did not have any material capital expenditure commitments.

Treasury policies

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

Exposure to fluctuations in exchange rates and related hedges

The Group operates mainly in Hong Kong and the PRC. 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. The conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange controls promulgated by the Chinese government. The Group has minimal exposure to exchange rate fluctuation. No financial instrument was used for hedging purposes. The Group will closely monitor the currency exchange risk of RMB in the near term as a result.

Contracts

As at 30 June 2016, the major contracts for the software development and systems integration business amounted to approximately HK\$512.8 million (31 December 2015: HK\$426.8 million), which are all expected to be completed within one year time.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

The Group had no material acquisition or disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2016.

Charges on assets

As at 30 June 2016, the Group's land and buildings in Hong Kong of approximately HK\$73.9 million and investment properties of approximately HK\$90.0 million and bank deposits of approximately HK\$18.2 million were pledged to banks to secure banking facilities granted.

Future Plans for Material Investments or Capital Assets

The Group did not have any concrete future plans for material investments or capital assets as at 30 June 2016. 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

As at 30 June 2016, the Group did not have any significant contingent liabilities.

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 2016. 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 2016.

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 on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the six months ended 30 June 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUER (THE “MODEL CODE”)

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.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group’s condensed consolidated interim financial statements for the six months ended 30 June 2016, including the accounting principles adopted by the Group, with the Company’s management.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The 2016 interim report of the Company containing all the information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders of the Company and published on The Hong Kong Exchanges and Clearing Limited’s website (www.hkexnews.hk) and the Company’s website (www.irasia.com/listco/hk/founder) in due course.

By Order of the Board
FOUNDER HOLDINGS LIMITED
Xiao Jian Guo
Chairman

Hong Kong
26 August 2016

As at the date of this announcement, the board of directors of the Company comprises executive directors of Professor Xiao Jian Guo (Chairman), Mr Shao Xing (President), Mr Liu Jian, Professor Yang Bin, Ms Zuo Jin and Ms Sun Min, and the independent non-executive directors of Mr Li Fat Chung, Ms Wong Lam Kit Yee and Mr Fung Man Yin, Sammy.

* *For identification purpose only*