

**FOUNDER HOLDINGS LIMITED**  
**方正控股有限公司**

*(Incorporated in Bermuda with limited liability)*

Stock Code: 00418



**2016**  
**INTERIM REPORT**



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive directors

Professor Xiao Jian Guo (*Chairman*)  
Mr Shao Xing (*President*)  
Mr Liu Jian  
Professor Yang Bin  
Ms Zuo Jin  
Ms Sun Min

### 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*)  
Professor Xiao Jian Guo  
Ms Wong Lam Kit Yee

### Nomination Committee

Professor Xiao Jian Guo (*Chairman*)  
Ms Wong Lam Kit Yee  
Mr Fung Man Yin, Sammy

## COMPANY SECRETARY

Ms Tang Yuk Bo, Yvonne

## AUTHORISED REPRESENTATIVES

Professor Xiao Jian Guo  
Mr Liu Jian

## AUDITORS

Ernst & Young  
Certified Public Accountants

## LEGAL ADVISERS

Jun He Law Offices

## PRINCIPAL BANKERS

Bank of Beijing  
China Merchants Bank  
DBS Bank (China) Limited  
DBS Bank (Hong Kong) 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 IN HONG KONG

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

## SHARE REGISTRARS AND TRANSFER OFFICE

### Principal registrar

MUFG Fund Services (Bermuda) Limited  
The Belvedere Building  
69 Pitts Bay Road  
Pembroke HM08  
Bermuda

### Hong Kong branch share registrar 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 WEBSITE

[www.irasia.com/listco/hk/founder](http://www.irasia.com/listco/hk/founder)

## INTERIM RESULTS

The board of directors (the "Board") of Founder Holdings Limited (the "Company") 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
<b>REVENUE</b>	2	<b>415,387</b>	398,415
Cost of sales		<b>(254,969)</b>	(254,725)
Gross profit		<b>160,418</b>	143,690
Other income and gains	3	<b>33,195</b>	27,510
Selling and distribution expenses		<b>(113,425)</b>	(99,378)
Administrative expenses		<b>(33,648)</b>	(36,261)
Other expenses, net		<b>(40,111)</b>	(51,364)
Finance costs	4	<b>(3,866)</b>	(4,546)
Share of losses of associates		<b>(40)</b>	(348)
<b>PROFIT/(LOSS) BEFORE TAX</b>	5	<b>2,523</b>	(20,697)
Income tax	6	<b>(4,687)</b>	(17,899)
LOSS FOR THE PERIOD		<b>(2,164)</b>	(38,596)
<b>Attributable to:</b>			
Owners of the parent		<b>(2,113)</b>	(38,538)
Non-controlling interests		<b>(51)</b>	(58)
		<b>(2,164)</b>	(38,596)
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
– Basic and diluted	7	<b>HK(0.18) cents</b>	HK(3.21) cents

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	<b>For the six months ended 30 June</b>	
	<b>2016 (Unaudited) HK\$'000</b>	2015 (Unaudited) HK\$'000
<b>LOSS FOR THE PERIOD</b>	<b>(2,164)</b>	(38,596)
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income/(loss) of associates	<b>79</b>	(140)
Exchange differences on translation of foreign operations	<b>(8,565)</b>	417
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	<b>(8,486)</b>	277
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX</b>	<b>(8,486)</b>	277
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(10,650)</b>	(38,319)
<b>Attributable to:</b>		
Owners of the parent	<b>(10,597)</b>	(38,261)
Non-controlling interests	<b>(53)</b>	(58)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(10,650)</b>	(38,319)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2016

	Notes	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		318,766	329,561
Investment properties		99,533	99,648
Investment in associates		5,120	5,148
Available-for-sale investments		4,079	6,682
Intangible assets	9	6,846	9,795
Deferred tax asset		1,171	1,367
Pledged deposits		3,012	1,791
<b>Total non-current assets</b>		<b>438,527</b>	453,992
<b>CURRENT ASSETS</b>			
Inventories		75,933	77,281
Gross amount due from contract customers		38,764	27,142
Trade and bills receivables	10	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
<b>Total current assets</b>		<b>1,176,277</b>	1,204,499
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	11	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	12	191,710	160,190
Tax payable		4,452	5,052
<b>Total current liabilities</b>		<b>610,623</b>	642,675
<b>NET CURRENT ASSETS</b>		<b>565,654</b>	561,824
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,004,181</b>	1,015,816

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
30 JUNE 2016

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

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Attributable to owners of the parent									
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Land and buildings 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 2016	119,975	53,597*	867,910*	293,997*	10,102*	56,542*	(421,156)*	980,967	245	981,212
Loss for the period	-	-	-	-	-	-	(2,113)	(2,113)	(51)	(2,164)
Other comprehensive loss for the period:										
Share of other comprehensive income of associates	-	-	-	-	79	-	-	79	-	79
Exchange differences on translation of foreign operations	-	-	-	-	(8,563)	-	-	(8,563)	(2)	(8,565)
Total comprehensive loss for the period	-	-	-	-	(8,484)	-	(2,113)	(10,597)	(53)	(10,650)
Transfer to general reserve	-	-	-	-	-	795	(795)	-	-	-
At 30 June 2016	119,975	53,597*	867,910*	293,997*	1,618*	57,337*	(424,064)*	970,370	192	970,562
At 1 January 2015	119,975	53,597	867,910	246,810	44,872	54,684	(426,704)	961,144	381	961,525
Loss for the period	-	-	-	-	-	-	(38,538)	(38,538)	(58)	(38,596)
Other comprehensive income for the period:										
Share of other comprehensive loss of associates	-	-	-	-	(140)	-	-	(140)	-	(140)
Exchange differences on translation of foreign operations	-	-	-	-	417	-	-	417	-	417
Total comprehensive income for the period	-	-	-	-	277	-	(38,538)	(38,261)	(58)	(38,319)
At 30 June 2015	119,975	53,597	867,910	246,810	45,149	54,684	(465,242)	922,883	323	923,206

\* These reserve accounts comprise the consolidated reserves of HK\$850,395,000 (31 December 2015: HK\$860,992,000) in the condensed consolidated statement of financial position.



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

		For the six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
NOTES			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(loss) before tax		2,523	(20,697)
Adjustments for:			
Finance costs	4	3,866	4,546
Share of losses of associates		40	348
Interest income	3	(6,635)	(9,047)
Gain on disposal of items of property, plant and equipment	5	(63)	(185)
Fair value loss/(gain) on equity investments at fair value through profit or loss	5	326	(577)
Depreciation	5	8,942	8,531
Amortisation of intangible assets	5	2,855	3,861
Impairment of trade receivables	5	52	5,960
Impairment of other receivables	5	3,832	3,368
Impairment of available-for-sale investments	5	2,899	659
		<b>18,637</b>	<b>(3,233)</b>
Decrease in inventories		1,348	1,877
(Increase)/decrease in gross amount due from contract customers		(11,622)	15,633
(Increase)/decrease in trade and bills receivables		(19,900)	69,978
Decrease/(increase) in prepayments, deposits and other receivables		4,528	(17,493)
Decrease in trade and bills payables		(523)	(68,113)
(Decrease)/increase in gross amount due to contract customers		(7,444)	5,191
Decrease in other payables and accruals		(55,005)	(27,590)
Exchange differences		(674)	810
Cash used in operations		<b>(70,655)</b>	<b>(22,940)</b>
Interest received		1,559	1,952
Interest paid		(3,866)	(4,546)
Hong Kong profits tax refund		276	880
Mainland of the People's Republic of China ("Mainland China" or the "PRC") corporate income tax paid		(5,602)	(18,051)
Net cash flows used in operating activities		<b>(78,288)</b>	<b>(42,705)</b>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	NOTE	For the six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Net cash flows used in operating activities		<b>(78,288)</b>	(42,705)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		<b>5,295</b>	8,166
Dividend received from an associate		<b>67</b>	–
Purchases of items of property, plant and equipment		<b>(1,648)</b>	(1,865)
Addition of intangible assets	9	<b>–</b>	(12,310)
Proceeds from disposal of items of property, plant and equipment		<b>88</b>	185
Decrease in non-pledged time deposits with original maturity of more than three months when acquired		<b>71,012</b>	8,114
Advances of entrusted loans to related companies		<b>(197,710)</b>	(237,120)
Repayment of entrusted loans from related companies		<b>200,600</b>	249,400
Decrease in pledged deposits		<b>5,753</b>	15,860
Net cash flows generated from investing activities		<b>83,457</b>	30,430
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New bank loans		<b>52,407</b>	25,587
Repayment of bank loans		<b>(18,116)</b>	(4,821)
Decrease in trust receipt loans		<b>(1,132)</b>	(40,053)
Net cash flows from/(used in) financing activities		<b>33,159</b>	(19,287)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of period		<b>470,857</b>	507,683
Effect of foreign exchange rate changes, net		<b>(6,632)</b>	260
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>502,553</b>	476,381

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	<b>For the six months ended 30 June</b>	
	<b>2016 (Unaudited) HK\$'000</b>	2015 (Unaudited) HK\$'000
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>471,167</b>	372,543
Non-pledged time deposits	<b>102,390</b>	108,838
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	<b>573,557</b>	481,381
Non-pledged time deposits with original maturity of more than three months when acquired	<b>(71,004)</b>	(5,000)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	<b>502,553</b>	476,381

# 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
<b>Segment revenue:</b>										
Sales to external customers	410,580	374,322	4,537	23,888	–	–	270	205	415,387	398,415
<b>Segment results</b>	<b>6,048</b>	<b>(14,751)</b>	<b>18</b>	<b>(1,974)</b>	<b>(4,348)</b>	<b>(6,678)</b>	<b>183</b>	<b>157</b>	<b>1,901</b>	<b>(23,246)</b>
<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									<b>2,523</b>	<b>(20,697)</b>

### 3. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
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
	<b>33,195</b>	27,510

### 4. FINANCE COSTS

	For the six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
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):

	NOTE	For the six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Cost of goods sold		212,744	218,691
Depreciation		8,942	8,531
Amortisation of intangible assets	9	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 investments		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

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

## 9. INTANGIBLE ASSETS

	NOTES	Patents and acquired software (Unaudited) HK\$'000	Development expenditure on media software (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>30 June 2016</b>				
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		4,614	2,232	6,846
At 30 June 2016:				
Cost		11,503	10,502	22,005
Accumulated amortisation and impairment		(6,889)	(8,270)	(15,159)
Net carrying amount		4,614	2,232	6,846
<b>30 June 2015</b>				
Cost at 1 January 2015, net of accumulated amortisation		–	7,403	7,403
Acquisition from related companies	14(l)(h)	12,310	–	12,310
Amortisation provided during the period	5	(1,988)	(1,873)	(3,861)
Exchange realignment		28	–	28
At 30 June 2015		10,350	5,530	15,880
At 30 June 2015:				
Cost		12,343	11,270	23,613
Accumulated amortisation		(1,993)	(5,740)	(7,733)
Net carrying amount		10,350	5,530	15,880

## 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 aging analysis of the Group's trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
Within 6 months	<b>137,783</b>	116,469
7 to 12 months	<b>17,582</b>	15,909
13 to 24 months	<b>9,980</b>	23,715
Over 24 months	<b>10,596</b>	–
	<b>175,941</b>	156,093

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



## 11. TRADE AND BILLS PAYABLES

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

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
Within 6 months	<b>43,779</b>	44,884
7 to 12 months	<b>10,013</b>	6,235
13 to 24 months	<b>3,859</b>	4,826
Over 24 months	<b>7,984</b>	10,213
	<b>65,635</b>	66,158

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.

## 12. INTEREST-BEARING BANK BORROWINGS

On 6 January 2015, 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 an 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 25% 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 2016, no banking facility was drawn by the Group under the Facility Agreement.

## 13. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities (31 December 2015: Nil).

## 14. RELATED PARTY TRANSACTIONS

### (I) Transactions with related parties

- (a) In addition to the related party transactions and balances disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the period:

	NOTES	For the six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Management fee income received from Peking University Resources (Holdings) Company Limited ("PKU Resources"), a subsidiary of Peking Founder, and its subsidiary	(i)	865	854
Handling fee income received from a subsidiary of Peking Founder	(i)	60	60
Service fee payable to 北大方正信息產業集團有限公司 (Peking University Founder Information Industry Group Co., Ltd. *) ("PKU Founder Information")	(ii)	898	–

Notes:

- (i) These transactions were conducted on the basis of rates agreed between the Group and the related companies.
- (ii) The sharing of administrative services fee between the Group and PKU Founder Information, a substantial shareholder of the Company, was conducted on a cost basis.
- (b) On 13 February 2015, Founder Electronics, 北京方正印捷數碼技術有限公司 (Beijing Founder EasiPrint Digital Technology Co., Ltd. \*) ("Founder EasiPrint") and 北京方正數字印刷技術有限公司 (Beijing Founder Digital Printing Technology Co., Ltd. \*) ("Founder Digital Printing"), subsidiaries of the Group, entered into lease agreements and management agreements with the subsidiary of Peking Founder to lease certain office premises in Beijing, the PRC, from 15 February 2015 to 31 December 2015, for the aggregate of annual rental and management fees of RMB7,855,000 and RMB4,737,000 (equivalent to approximately HK\$9,644,000 and HK\$5,816,000). Further details of the transaction were set out in the announcement of the Company dated 13 February 2015.

\* For identification purpose only

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

**(i) Transactions with related parties *(continued)***

**(b) *(continued)***

On 31 December 2015, Founder Electronics, Founder EasiPrint and Founder Digital Printing renewed the lease agreements and management agreements with the subsidiary of Peking Founder to lease the premises in Beijing from 1 January 2016 to 31 December 2017, for the aggregate of annual rental and management fees of approximately RMB7,900,000 and RMB4,135,000 (equivalent to approximately HK\$9,341,000 and HK\$4,889,000) for the year 2016 and approximately RMB8,931,000 and RMB4,135,000 (equivalent to approximately HK\$10,560,000 and HK\$4,889,000) for the year 2017. Further details of the transaction were set out in the announcement of the Company dated 31 December 2015.

During the period, rental and management fees in aggregate of approximately HK\$7,115,000 (six months ended 30 June 2015: HK\$6,717,000) were paid by the Group 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.

On 8 August 2016, Founder Electronics entered into a new lease agreement and management agreement with the subsidiary of Peking Founder to lease certain premises in Beijing from 8 August 2016 to 31 December 2017, for the aggregate of rental and management fees of approximately RMB364,000 and RMB131,000 (equivalent to approximately HK\$423,000 and HK\$152,000) for the period from 8 August 2016 to 31 December 2016 and approximately RMB847,000 and RMB293,000 (equivalent to approximately HK\$983,000 and HK\$340,000) for the year 2017. Further details of the transaction were set out in the announcement of the Company dated 8 August 2016.

- (c) On 9 December 2013, the Company renewed a master agreement with PKU Resources, pursuant to which the Group would purchase information products from PKU Resources and its subsidiaries (collectively "PKU Resources Group"), for the three years ending 31 December 2016.

Nil information products were purchased from PKU Resources Group during the period ended 30 June 2015 and 2016.

- (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.

On 30 December 2014, the Company and Peking Founder entered into a Master Purchase Agreement to extend the term for the period from 1 January 2015 to 31 December 2017. Further details of the transaction were set out in the announcement of the Company dated 30 December 2014.

During the period, products and services of approximately HK\$521,000 (six months ended 30 June 2015: HK\$1,810,000) were purchased from Peking Founder Group. The directors consider that the purchases of products and services were made in accordance with the master agreements.

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

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

- (e) On 14 December 2012, the Company entered into a master agreement with Peking Founder for the sales of information products, hardware and software development services and system integration services to Peking Founder Group for a term of three years from 1 January 2013 to 31 December 2015.

On 16 June 2016, the Company entered into a master agreement with Peking Founder for the sales of information products, hardware and software development services and system integration services to Peking Founder Group from 20 July 2016 to 31 December 2018.

During the period, sales of information products, hardware and software development services and system integration services of approximately HK\$863,000 (six months ended 30 June 2015: HK\$1,002,000) were made to Peking Founder Group. The directors consider that the sales of information products and system integration services and commission fee were made in accordance with the master agreement.

- (f) On 28 July 2014, the Company renewed an entrusted loan master agreement entered 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 rate for loan period of six months offered by the People's Bank of China (the "PBOC") plus 15%. Further details of the transaction were set out in the announcement of the Company dated 28 July 2014.

For the year ended 31 December 2015, entrusted loans in the amounts of RMB370,000,000 (equivalent to approximately HK\$436,600,000) and RMB40,000,000 (equivalent to approximately HK\$47,200,000) were provided to Peking Founder and PKU Founder Information, respectively. The entrusted loans were unsecured and bore interest at rates ranging from 5.66% to 6.96% per annum. The entrusted loans were settled by 30 September 2015 as to the amount of RMB130,000,000 (equivalent to approximately HK\$153,400,000), 24 December 2015 as to the amount of RMB50,000,000 (equivalent to approximately HK\$59,500,000) and 25 December 2015 as to the amount of RMB60,000,000 (equivalent to approximately HK\$70,800,000). The entrusted loans of RMB170,000,000 (equivalent to approximately HK\$200,600,000) and the related interest receivable of RMB3,247,000 (equivalent to approximately HK\$3,831,000) remained undue and were included in prepayments, deposits and other receivables as at 31 December 2015 and were fully settled by 30 March 2016.

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

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

###### (f) *(continued)*

For the six months ended 30 June 2016, two entrusted loans in the amounts of RMB130,000,000 (equivalent to approximately HK\$151,190,000) and RMB40,000,000 (equivalent to approximately HK\$46,520,000) were provided to Peking Founder and PKU Founder Information, respectively. The entrusted loans are unsecured and bear interest at rates ranging from 6.0% to 6.3% per annum. The entrusted loans were settled by 15 July 2016 as to the amount of RMB40,000,000 (equivalent to approximately HK\$46,520,000). The entrusted loans of RMB130,000,000 (equivalent to approximately HK\$151,190,000) and the related interest receivable of RMB2,145,000 (equivalent to approximately HK\$2,495,000) remained undue and were included in prepayments, deposits and other receivables as at 30 June 2016.

During the period, interest income earned by the Group from Peking Founder and PKU Founder Information amounted to HK\$5,076,000 (six months ended 30 June 2015: HK\$7,095,000). The directors consider that the provision of entrusted loans to and the receipt of interest income from Peking Founder and PKU Founder Information were made in accordance with the entrusted loan master agreement.

(g) On 4 March 2015, 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 deposit service. As at 30 June 2016, the Group made a deposits for approximately HK\$1,178,000 (31 December 2015: HK\$1,189,000). The interest rates on the deposits offered by Founder Finance were the prevailing interest rates offered by the PBOC.

(h) On 31 October 2014, Founder Electronics entered into the Technology Transfer Agreement I and the Fixed Assets Transfer Agreement I with 上海方正數字出版技術有限公司 (Founder Digital Publishing Technology (Shanghai) Co., Ltd.\*) ("Shanghai Founder"), a non-wholly-owned subsidiary of Peking Founder, pursuant to which Founder Electronics will acquire and Shanghai Founder will sell certain patents and fixed assets at a consideration of approximately RMB7.89 million (equivalent to approximately HK\$9.97 million) and approximately RMB0.18 million (equivalent to approximately HK\$0.23 million) respectively.

On the same date, Founder Electronics entered into the Technology Transfer Agreement II with 方正移動傳媒技術(北京)有限公司 (Founder Mobile Media Technology (Beijing) Co., Ltd.\*) ("Founder Mobile"), a non-wholly-owned subsidiary of Peking Founder, pursuant to which Founder Electronics will acquire and Founder Mobile will sell certain patents at a consideration of RMB2 million (equivalent to approximately HK\$2.53 million).

The consideration of RMB2 million and RMB8.1 million was paid to Founder Mobile and Shanghai Founder in July 2014 and January 2015, respectively. The above transactions with Shanghai Founder and Founder Mobile were completed in January and February 2015, respectively.

\* For identification purpose only

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

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

- (i) The banking facilities guarantees given by Peking Founder to PRC banks for the credit facilities granted to subsidiaries of the Company at 30 June 2016 of approximately HK\$198,426,000 (31 December 2015: HK\$165,927,000) were utilised to the extent of approximately HK\$65,360,000 (31 December 2015: HK\$64,976,000). The banking facilities guarantees given by Peking Founder to a PRC bank for credit facilities granted to a subsidiary of the Company, Peking Founder and PKU Founder Information at 30 June 2016 of approximately HK\$162,820,000 (31 December 2015: HK\$165,200,000) were utilised to the extent of approximately HK\$119,783,000 (31 December 2015: HK\$111,508,000).
- (j) The banking facilities guarantees jointly given by Peking Founder and Founder Finance to a PRC bank for the credit facilities granted to a subsidiary of the Company as at 30 June 2016 of approximately HK\$58,150,000 (31 December 2015: HK\$59,000,000) were utilised to the extent of approximately HK\$31,692,000 (31 December 2015: HK\$14,455,000).

The related party transactions in respect of items (a) to (j) above for the current period also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

- (a) As at 30 June 2016, other than the entrusted loans and related interest receivables from Peking Founder Group as disclosed in note 14(i)(f) to the condensed consolidated interim financial statements, balances due from Peking Founder Group included in prepayments, deposits and other receivables were approximately HK\$6,129,000 (31 December 2015: HK\$6,359,000) and balances due to Peking Founder Group included in other payables and accruals were approximately HK\$46,238,000 (31 December 2015: HK\$46,084,000). These balances are unsecured, interest-free and have no fixed terms of repayment.
- (b) The balances due from subsidiaries of Peking Founder included in gross amount due from contract customers as at 30 June 2016 were approximately HK\$2,256,000 (31 December 2015: HK\$1,427,000) and balances due to subsidiaries of Peking Founder included in gross amount due to contract customers were approximately HK\$2,012,000 (31 December 2015: HK\$3,886,000).
- (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.

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

##### (III) Compensation of key management personnel of the Group

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

	For the six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Short term employee benefits	2,543	1,631
Pension scheme contributions	41	–
<b>Total compensation paid to key management personnel</b>	<b>2,584</b>	1,631

#### 1.5. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair value, are as follows:

	Carrying amounts		Fair values	
	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
<b>Financial assets</b>				
Pledged deposits, non-current portion	3,012	1,791	3,012	1,791
Equity investments at fair value through profit or loss	642	922	642	922
Available-for-sale investments	4,079	6,682	4,079	6,682
	<b>7,733</b>	9,395	<b>7,733</b>	9,395
<b>Financial liabilities</b>				
Interest-bearing bank borrowings	191,710	160,190	191,710	160,190

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables and financial liabilities included in other payables and accruals, approximate to their carrying amounts largely due to the short term maturities of these instruments.

## 15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of non-current portion of pledged deposits and interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for non-current portion of pledged deposits and interest-bearing bank borrowings as at 30 June 2016 were assessed to be insignificant.

The fair values of listed available-for-sale investments and listed equity investments at fair value through profit or loss are based on quoted market prices.

### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

*Assets measured at fair value:*

#### As at 30 June 2016

	Fair value measurement using			Total (Unaudited) HK\$'000
	Quoted prices in active markets (Level 1) (Unaudited) HK\$'000	Significant observable inputs (Level 2) (Unaudited) HK\$'000	Significant unobservable inputs (Level 3) (Unaudited) HK\$'000	
Available-for-sale investments:				
Equity investments	4,079	–	–	4,079
Equity investments at fair value through profit or loss	642	–	–	642
	4,721	–	–	4,721



## 15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

### Fair value hierarchy *(continued)*

Assets measured at fair value: *(continued)*

As at 31 December 2015

	Fair value measurement using			Total (Audited) HK\$'000
	Quoted prices in active markets (Level 1) (Audited) HK\$'000	Significant observable inputs (Level 2) (Audited) HK\$'000	Significant unobservable inputs (Level 3) (Audited) HK\$'000	
Available-for-sale investments:				
Equity investments	6,682	–	–	6,682
Equity investment at fair value through profit or loss	922	–	–	922
	7,604	–	–	7,604

During the six months ended 30 June 2016 and the year ended 31 December 2015, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Assets for which fair values are disclosed:

**As at 30 June 2016**

	Fair value measurement using			Total (Unaudited) HK\$'000
	Quoted prices in active markets (Level 1) (Unaudited) HK\$'000	Significant observable inputs (Level 2) (Unaudited) HK\$'000	Significant unobservable inputs (Level 3) (Unaudited) HK\$'000	
Pledged deposits, non-current portion	–	3,012	–	3,012

## 15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

### Fair value hierarchy *(continued)*

Assets for which fair values are disclosed: *(continued)*

As at 31 December 2015

	Fair value measurement using			Total (Audited) HK\$'000
	Quoted prices in active markets (Level 1) (Audited) HK\$'000	Significant observable inputs (Level 2) (Audited) HK\$'000	Significant unobservable inputs (Level 3) (Audited) HK\$'000	
Pledged deposits, non-current portion	–	1,791	–	1,791

Liabilities for which fair values are disclosed:

**As at 30 June 2016**

	Fair value measurement using			Total (Unaudited) HK\$'000
	Quoted prices in active markets (Level 1) (Unaudited) HK\$'000	Significant observable inputs (Level 2) (Unaudited) HK\$'000	Significant unobservable inputs (Level 3) (Unaudited) HK\$'000	
Interest-bearing bank borrowings	–	191,710	–	191,710

As at 31 December 2015

	Fair value measurement using			Total (Audited) HK\$'000
	Quoted prices in active markets (Level 1) (Audited) HK\$'000	Significant observable inputs (Level 2) (Audited) HK\$'000	Significant unobservable inputs (Level 3) (Audited) HK\$'000	
Interest-bearing bank borrowings	–	160,190	–	160,190

# 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).

\* For identification purpose only

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.

## OTHER INFORMATION

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2016, none of the directors had registered an interest or short position in the shares, underlying shares or debenture of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the Securities and Futures Ordinance (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").

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2016, 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 (other than a director or chief executive of the Company):

#### Long positions:

Name	Notes	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*)	1	Through a controlled corporation	367,179,610	30.60
北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder")	2	Through a controlled corporation	367,179,610	30.60
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	30.60

\* For identification purpose only

#### 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 2016, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares, underlying shares and debentures" 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 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 contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the six months ended 30 June 2016.

## 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.

## 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.

## CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of directors of the Company subsequent to the date of the 2015 annual report of the Company are set out below:

Professor Xiao Jian Guo presently is the chairman of Peking Founder.

Ms Luo Yan resigned as an executive director of the Company with effect from 6 June 2016.

Professor Yang Bin resigned as president and remains as an executive director of the Company with effect from 6 June 2016.

Mr Shao Xing was appointed as the executive director and president of the Company with effect from 6 June 2016.

Mr Fung Man Yin, Sammy was appointed as independent non-executive director of Peking University Resources (Holdings) Company Limited ("PKU Resources") (Stock Code: 00618), a company listed on the main board of the Stock Exchange with effect from 10 June 2016. Peking Founder is the substantial shareholder of PKU Resources.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## BOARD OF DIRECTORS

As at the date of this report, 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.

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

Hong Kong  
26 August 2016