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

(Incorporated in Bermuda with limited liability)  
 (Stock code: 00418)

**FINAL RESULTS ANNOUNCEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

The Board of Directors (the “Board”) of Founder Holdings Limited (the “Company”) is pleased to announce the consolidated results and financial position of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2012 together with the comparative figures.

**CONSOLIDATED INCOME STATEMENT**

*Year ended 31 December 2012*

	<i>Notes</i>	<b>2012</b> <b>HK\$'000</b>	2011 HK\$'000
<b>REVENUE</b>	4	<b>2,130,753</b>	1,647,234
Cost of sales		<u>(1,707,999)</u>	<u>(1,298,706)</u>
Gross profit		<b>422,754</b>	348,528
Other income and gains	4	<b>80,678</b>	76,007
Selling and distribution costs		<b>(261,839)</b>	(211,282)
Administrative expenses		<b>(68,233)</b>	(57,788)
Other expenses, net		<b>(117,602)</b>	(96,155)
Finance costs	5	<b>(9,396)</b>	(4,122)
Share of profits and losses of associates		<b>1,371</b>	(1,593)
<b>PROFIT BEFORE TAX</b>	6	<b>47,733</b>	53,595
Income tax expense	7	<b>(3,322)</b>	(3,661)
<b>PROFIT FOR THE YEAR</b>		<b><u>44,411</u></b>	<b><u>49,934</u></b>
Attributable to:			
Owners of the parent		<b>44,523</b>	49,913
Non-controlling interests		<b>(112)</b>	21
		<b><u>44,411</u></b>	<b><u>49,934</u></b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic	8	<b><u>HK3.9 cents</u></b>	<b><u>HK4.4 cents</u></b>
Diluted		<b><u>HK3.9 cents</u></b>	<b><u>HK4.4 cents</u></b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

31 December 2012

	<i>Notes</i>	<b>2012</b> <b>HK\$'000</b>	2011 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		257,257	184,787
Investment properties		55,430	48,355
Capitalised software costs		2,917	–
Investments in associates		17,995	16,425
Finance lease receivables		8,168	–
Total non-current assets		<u>341,767</u>	<u>249,567</u>
<b>CURRENT ASSETS</b>			
Inventories		40,976	61,775
Gross amount due from contract customers		17,061	146,726
Trade and bills receivables	9	447,343	232,621
Prepayments, deposits and other receivables		215,103	198,261
Finance lease receivables		1,625	–
Pledged deposits		12,006	12,121
Cash and cash equivalents		429,955	440,611
Total current assets		<u>1,164,069</u>	<u>1,092,115</u>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	10	185,900	292,566
Gross amount due to contract customers		9,639	18,679
Other payables and accruals		280,095	279,748
Interest-bearing bank borrowings		229,807	76,031
Tax payable		2,695	–
Total current liabilities		<u>708,136</u>	<u>667,024</u>
<b>NET CURRENT ASSETS</b>		<u>455,933</u>	<u>425,091</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>797,700</u>	<u>674,658</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		23,477	10,110
Net assets		<u>774,223</u>	<u>664,548</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital		113,030	113,030
Reserves		661,061	550,609
		<u>774,091</u>	<u>663,639</u>
<b>Non-controlling interests</b>		<u>132</u>	<u>909</u>
Total equity		<u>774,223</u>	<u>664,548</u>

## 1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain buildings classified as property, plant and equipment, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

## 2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year’s financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i>

Other than as further explained below regarding the impact of amendments to HKAS 12, the adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

The HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis.

For the Group’s investment properties located in Hong Kong, it is expected that their carrying amounts will be recovered through sale. Therefore no provision of deferred tax liabilities is required on any fair value changes of these investment properties as there is no tax consequence for the disposal of these investment properties in Hong Kong.

The adoption of the amendments did not have any impact on the financial position or performance of the Group.

### 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) the software development and systems integration for media business segment provides electronic publishing and broadcasting systems to media companies;
- (b) the software development and systems integration for non-media business segment provides banking and information systems to financial institutions, enterprises and government departments;
- (c) the corporate segment comprises corporate income and expense items; and
- (d) the “others” segment comprises principally the Group’s editing services for newspapers and magazines.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group’s profit before tax except that interest income, gain on disposal of an associate, net foreign exchange differences, finance costs and share of profits and losses of associates as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude pledged deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

	Software development and systems integration for media business		Software development and systems integration for non-media business		Corporate		Others		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Segment revenue:</b>										
Sales to external customers	1,096,425	1,115,151	1,033,973	531,753	–	–	355	330	2,130,753	1,647,234
Revenue									<u>2,130,753</u>	<u>1,647,234</u>
<b>Segment results</b>	<b>38,361</b>	43,415	<b>11,251</b>	4,522	<b>(8,642)</b>	(2,600)	<b>1,730</b>	2,004	<b>42,700</b>	47,341
<i>Reconciliation:</i>										
Interest income									11,706	6,370
Gain on disposal of an associate									–	6,410
Foreign exchange differences, net									1,352	(811)
Finance costs									(9,396)	(4,122)
Share of profits and losses of associates									1,371	(1,593)
Profit before tax									<u>47,733</u>	<u>53,595</u>

	Software development and systems integration for media business		Software development and systems integration for non-media business		Others		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Segment assets</b>	<b>660,631</b>	554,005	<b>317,254</b>	272,324	<b>121,805</b>	104,491	<b>1,099,690</b>	930,820
<i>Reconciliation:</i>								
Elimination of intersegment receivables							<b>(54,109)</b>	(58,615)
Investments in associates							<b>17,995</b>	16,425
Corporate and other unallocated assets							<b>442,260</b>	453,052
Total assets							<b><u>1,505,836</u></b>	<b><u>1,341,682</u></b>
<b>Segment liabilities</b>	<b>442,634</b>	460,400	<b>100,044</b>	188,085	<b>10,534</b>	10,568	<b>553,212</b>	659,053
<i>Reconciliation:</i>								
Elimination of intersegment payables							<b>(54,109)</b>	(58,615)
Corporate and other unallocated liabilities							<b>232,510</b>	76,696
Total liabilities							<b><u>731,613</u></b>	<b><u>677,134</u></b>
<b>Other segment information:</b>								
Depreciation and amortisation	<b>10,153</b>	7,430	<b>1,168</b>	353	<b>12</b>	16	<b>11,333</b>	7,799
Capital expenditure*	<b>13,786</b>	8,806	<b>-</b>	6	<b>-</b>	-	<b>13,786</b>	8,812

\* *Capital expenditure consists of additions to property, plant and equipment.*

## Geographical information

### (a) Revenue from external customers

	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Hong Kong	<b>1,114,286</b>	694,364
Mainland China	<b>1,016,387</b>	952,715
Others	<b>80</b>	155
	<hr/> <b>2,130,753</b> <hr/>	<hr/> 1,647,234 <hr/>

The revenue information above is based on the locations of the customers.

### (b) Non-current assets

	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Hong Kong	<b>121,788</b>	104,468
Mainland China	<b>201,984</b>	128,674
Others	<b>17,995</b>	16,425
	<hr/> <b>341,767</b> <hr/>	<hr/> 249,567 <hr/>

The non-current asset information above is based on the locations of assets.

## Information about a major customer

Revenue of approximately HK\$499,594,000 (2011: HK\$229,095,000) was derived from sales by the software development and systems integration for non-media segment to a single customer.

#### 4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of systems integration contracts; and the value of services rendered during the year.

An analysis of revenue, other income and gains is as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<b>Revenue</b>		
Software development and systems integration	2,130,398	1,646,904
Others	355	330
	<u>2,130,753</u>	<u>1,647,234</u>
<b>Other income</b>		
Bank interest income	3,483	2,028
Other interest income	8,223	4,342
Interest income on finance lease receivables	205	–
Gross rental income	1,383	1,117
Government grants	53,381	49,325
Others	5,493	3,528
	<u>72,168</u>	<u>60,340</u>
<b>Gains</b>		
Fair value gains on investment properties	7,075	9,155
Foreign exchange differences, net	1,352	–
Gain on disposal of an associate	–	6,410
Others	83	102
	<u>8,510</u>	<u>15,667</u>
	<u>80,678</u>	<u>76,007</u>

#### 5. FINANCE COSTS

An analysis of finance costs is as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Interest on bank loans wholly repayable within five years	<u>9,396</u>	<u>4,122</u>



## 6. PROFIT BEFORE TAX

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Cost of inventories sold	1,601,568	1,146,124
Depreciation	11,220	7,799
Amortisation of capitalised software costs	113	–
Loss on disposal of items of property, plant and equipment	82	277
Foreign exchange differences, net	(1,352)	811
	<u>                    </u>	<u>                    </u>

## 7. INCOME TAX

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Group:		
Current – Hong Kong		
Charge for the year	236	–
Current – Mainland China		
Charge for the year	6,813	4,706
Overprovision in prior year	(3,727)	(1,045)
	<u>                    </u>	<u>                    </u>
Total tax charge for the year	<u>                    </u>	<u>                    </u>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year. For the year ended 31 December 2011, no Hong Kong profits tax had been provided as there were no assessable profits arising in Hong Kong, or the Group has available tax losses brought forward from prior years to offset the assessable profits generated during 2011.

Corporate income tax of The People's Republic of China (the "PRC") represents the tax charged on the estimated assessable profits arising in Mainland China. In general, the PRC subsidiaries of the Group are subject to the PRC corporate income tax rate of 25% except for certain PRC subsidiaries which are entitled to preferential tax rates at 15%.

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

The share of tax attributable to associates amounting to approximately HK\$492,000 (2011: HK\$1,340,000) is included in "Share of profits and losses of associates" in the consolidated income statement.

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of approximately 1,130,300,000 (2011: 1,130,300,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2012 and 2011 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

## 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 receivable balances. Trade and bills receivables are non-interest-bearing.

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Within 6 months	403,131	195,169
7 to 12 months	19,905	26,527
13 to 24 months	24,307	10,925
	<hr/>	<hr/>
	<b>447,343</b>	<b>232,621</b>
	<hr/> <hr/>	<hr/> <hr/>

## 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:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Within 6 months	164,242	276,103
7 to 12 months	7,936	5,782
13 to 24 months	5,690	7,509
Over 24 months	8,032	3,172
	<hr/>	<hr/>
	<b>185,900</b>	<b>292,566</b>
	<hr/> <hr/>	<hr/> <hr/>

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

## **DIVIDEND**

No interim dividend was paid during the year and previous year. The Board does not recommend the payment of any final dividend for the year (2011: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **PERFORMANCE**

The Group reported a profit attributable to equity holders of the parent for the year ended 31 December 2012 of approximately HK\$44.5 million (year ended 31 December 2011: HK\$49.9 million). The Group's turnover for the current financial year increased by 29.4% to approximately HK\$2,130.8 million (year ended 31 December 2011: HK\$1,647.2 million) due to increase in sales of information products for non-media segment. Gross profit for the current year increased by 21.3% to HK\$422.8 million compared with last financial year's HK\$348.5 million. Gross profit ratio was maintained at around 20% to 21%.

Basic and diluted earnings per share attributable to equity holders of the parent for the year was HK3.9 cents (year ended 31 December 2011: HK4.4 cents).

### **OPERATING REVIEW AND PROSPECTS**

#### **(A) Software development and systems integration for media sector (“Media Business”)**

The turnover of the Media Business for the current financial year decreased slightly by 1.7% to approximately HK\$1,096.4 million (year ended 31 December 2011: HK\$1,115.2 million) due to the decline in sales of publishing systems from traditional publishers which were facing severe market competition from new media. The segment results recorded a profit of approximately HK\$38.4 million (year ended 31 December 2011: HK\$43.4 million). The gross profit ratio for the Media Business has increased from last financial year's 30.6% to 37.2% in current financial year due to reversal of provision for obsolete inventories.

##### *Digital Media Business*

Beijing Founder Electronics Co., Ltd. (“Founder Electronics”), the principal subsidiary of the Group, has developed itself as a software developer and system integration service provider with core competitiveness in the sector of newspaper informatization. It provides the newspaper publishing with high quality software services, advanced hardware products and cutting-edge solutions. Major customers include People's Daily (人民日報), Xinhua News Agency (新華社), Guang Ming Daily (光明日報), Economic Daily (經濟日報) and China Military News (解放軍報) and other mainstream media.

In 2012, Founder Electronics made full use of its strength in technological research and development and launched series of new products, including the self-developed Founder Omni-media System for News Collection and Editing (方正暢享全媒體新聞編採系統), Website Features Management System (網站專題管理系統) and Cloud Service System for Mobile Reading (移動閱讀雲服務系統), which have been widely recognised and used in the industry. In addition, Founder Electronics continued to put more efforts in market expansion. It actively participated in the bidding for tenders organised by news agencies at various levels, news websites, universities and colleges, energy industry etc., and won major projects such as the Dongfeng Project of the General Administration of Press and Publication (新聞出版署東風工程), the People's Daily (人民日報), Guang Ming Daily (光明日報), Economic Daily (經濟日報), Nanfang Daily (南方日報), Xinhua Daily Press Group (新華報業), Wenhui Xinmin (文匯新民), Beijing Daily (北京日報), Chongqing Daily (重慶日報) and Inner Mongolia Daily (內蒙古日報).

### *Printing Business*

The printing business of Founder Electronics focuses on providing the printing industry with products and solutions covering the entire process from digital production to digital management. With twenty years' experience in the industry and a solid base of more than ten thousand clients, Founder Electronics is the sole provider in the emerging digital inkjet printing market which possesses high-end digital inkjet printing technology with autonomous intellectual property. So far, Founder Electronics' printing business has possessed various core technologies in the markets of digital printing processing, digital printing and inkjet printing. With its strong client base and market presence, Founder Electronics has become the largest provider of pre-printing technologies in China.

In 2012, the performance of Founder Electronics' printing business was significantly improved. The market share in the digital publication printing, industrial printing, package printing and commercial printing markets was enhanced. Inkjet printing business also achieved excellent performance, with installed capacity ranking top in the national market. With an annual production capability of more than RMB100 million for the inkjet coding segment and measures to actively expand the inkjet coding segment into food and pharmaceutical industries, there is huge growth potential for the inkjet printing business.

### *Font Library Business*

Founder Electronics is the pioneer professional operator engaging in the development of Chinese font library in China, and is also the largest Chinese font product provider. Currently, it owns nearly 200 Chinese character fonts and more than 70 ethnic character fonts, including 4 super font libraries consisting of over 70,000 Chinese characters. Nearly 90% of newspaper agencies, publishing and printing houses in China used Founder fonts in printing newspaper, books, magazines, teaching materials, documents and packages. Major television broadcasters such as CCTV, BTV and Hunan TV (湖南衛視) adopted Founder fonts in broadcasting news, sports and entertainment programs. Founder font library, which is widely used in websites, mobile devices, packages, advertising designs, games, animes and offices, has become the most frequently used Chinese character font product in the market.

In 2012, Founder font library participated in the 2012 China Design Exhibition (2012 中國設計大展) held in Shenzhen as the only selected font library enterprise. The authorised commercial distribution service launched by Founder font library has been increasingly recognised and purchased by the corporate clients, such as Apple, Samsung Phone, Windows Phone, Huawei Phone, MiOne Phone, which adopted Founder fonts as their system fonts. FZ ZhongDengXian super font library (中等線超大字庫) developed by Founder was used in the second generation identity cards and the navy hull number font library (海軍艦艇舷號字體) designed by Founder was fully implemented in China naval force.

Aiming at B2C market, Founder Ziku (方正字酷) of Android version, IOS version and Windows version, were launched so that users can easily download their favorite fonts in their mobile phones, computer softwares or files.

### *Public Sentiment Business*

Founder Electronics takes advantage of its technology on Chinese natural language intelligent analysis and processing to provide government authorities, industry operators and enterprises with low-cost internet public sentiment monitoring and intelligent information services.

In 2012, our public sentiment team was the pioneer which first introduced technologies on major-scale data and social media analysis to the development of internet public sentiment system, set up extensive internet public sentiment cloud service platforms and data centers and launched public sentiment application platforms for the relevant authorities or bodies of different levels. It successfully undertook the development of significant public sentiment projects from various clients of high-end ministerial-and provincial-level authorities. Founder Zhisì (方正智思) was elected to the list of National Torch Plan products of 2012 and won the “Qian Weichang Science and Technology Award for Chinese Information Processing” (錢偉長中文信息處理科學技術獎) awarded by Chinese Information Processing Society of China (中國中文信息學會).

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

The turnover of the Non-Media Business for the current financial year increased significantly by 94.4% to approximately HK\$1,034.0 million (year ended 31 December 2011: HK\$531.8 million) while its segment results has recorded a profit of approximately HK\$11.3 million (year ended 31 December 2011: HK\$4.5 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 IBM, HP, Cisco and Hitachi. The increase in segment revenue was mainly due to the demand of information products in the banking sector in the PRC.

## **PROSPECTS**

To deal with the business growth, the management will closely monitor changes in China's economy and its IT market. The Group will continue the development of innovative solutions and provide our customers with more cost-effective products and solutions to meet our customers' demands for enhancing their competitiveness. In addition, the Group will closely monitor the performance of each business sector to achieve effective cost control and maximise shareholders' value.

### **Digital Media Business**

The domestic and foreign press agencies are now facing the challenge of the transformation to digitalised publishing due to global change in needs and habit of readers under the rapid development of internet and mobile internet technology. This brings new growth potential for the omni-media solution business, mobile solution business and other internet related system businesses of Founder Electronics.

### **Printing Business**

Founder Electronics' printing business will adopt the core values of 'IT for Print' and focus on provision of digital printing process, digital printing management and e-commercial printing solutions. The printing business is committed to the integration of the digital communication channels among business operation, management and process and the combination of IT technology and IT service concept, so as to provide solutions for traditional printing and finishing companies to adapt themselves to and capture any opportunities brought by the transformation of Internet economy. The printing business also focuses on provision of "all-in-one" solutions to assist printing companies in integrating traditional printing, digital printing, green digital workflow, internet printing and business models. In addition, Founder Electronics aims at becoming an active promoter of innovative technology, process and concept for the printing industry on the basis of its advanced operational model and industrial concept, in order to gain a leading position as an IT solution provider in China's printing industry.

### **Font Library Business**

Founder font library segment will endeavor to promote font authorisation products to enterprises, media, hardware and software manufacturers and other sectors. User base of Founder font library will therefore be immensely expanded, allowing more internet users to use Founder fonts conveniently on their handsets and computers.

### **Public Sentiment Business**

Various kinds of innovative media public sentiment monitoring and information service products, industry solutions for different sectors and contingent solutions for internet emergencies will be launched based on the research results on major-scale data technology of public sentiment and virtual society. Also, Founder Electronics will promote the public sentiment cloud services oriented product and business models so as to maintain its leading position in China's public sentiment industry.

## **Non-media Business**

The Group will continuously refine its product structure to avoid product overlapping and minimise market risk. The management will also place stronger emphasis on operating cash flow, stringent control on working capital and cost management.

## **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 financial year.

As at 31 December 2012, the number of employees of the Group was approximately 1,362 (31 December 2011: 1,411).

## **FINANCIAL REVIEW**

### **Liquidity, financial resources and capital commitments**

During the current financial year, 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 31 December 2012, the Group had interest-bearing bank borrowings of approximately HK\$229.8 million (31 December 2011: HK\$76.0 million) which were floating interest bearing. The bank borrowings were denominated in Hong Kong Dollars ("HKD"), Renminbi ("RMB"), and United States Dollars ("U.S. dollars") and were repayable within one year. The Group's banking facilities were secured by corporate guarantees given by the Company and 北大方正集團有限公司 (Peking University Founder Group Company Limited\*) ("Peking Founder"), a substantial shareholder of the Company, the Government of the Hong Kong Special Administrative Region under the SME Loan Guarantee Scheme, certain of the Group's land and buildings and investment properties and bank deposits.

At 31 December 2012, the Group recorded total assets of HK\$1,505.8 million which were financed by liabilities of HK\$731.6 million, non-controlling interests of HK\$0.1 million and equity of HK\$774.1 million. The Group's net asset value per share as at 31 December 2012 amounted to HK\$0.68 (31 December 2011: HK\$0.59).

The Group had total cash and bank balances of HK\$442.0 million as at 31 December 2012 (31 December 2011: HK\$452.7 million). After deducting total bank borrowings of HK\$229.8 million (31 December 2011: HK\$76.0 million), the Group recorded net cash and bank balances of HK\$212.2 million as at 31 December 2012 as compared to HK\$376.7 million as at 31 December 2011. The Group's borrowings, which are subject to little seasonality, consist of mainly short term bank loans and trust receipt loans. As at 31 December 2012, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders' equity, was 0.30 (31 December 2011: 0.11) while the Group's working capital ratio was 1.64 (31 December 2011: 1.64). At 31 December 2012, the Group did not have any material capital expenditure commitments.

### **Treasury policies**

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

### **Exposure to fluctuations in exchange rates and related hedges**

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

### **Contracts**

At 31 December 2012, the major contracts in hand for the software development and systems integration business amounted to approximately HK\$275.8 million (31 December 2011: HK\$392.0 million), which are all expected to be completed within one year time.

### **Material acquisitions and disposals of subsidiaries and associates**

The Group had no material acquisition or disposal of subsidiaries and associates in 2012.

### **Charges on assets**

At 31 December 2012, the Group's land and buildings in Hong Kong of approximately HK\$56.9 million and investment properties of approximately HK\$53.9 million and bank deposits of approximately HK\$12.0 million were pledged to banks to secure banking facilities granted.

### **Future Plans for Material Investments or Capital Assets**

The Group did not have any future plans for material investments or capital assets as at 31 December 2012.



## **Contingent liabilities**

At 31 December 2012, the Group did not have any significant contingent liabilities.

## **Events after the reporting period**

On 18 March 2013, Peking Founder and Founder Electronics entered into the Intellectual Properties Transfer Agreement with China Digital Video (Beijing) Limited\* (新奧特(北京)視頻技術有限公司) (“China Digital Video”), to transfer their title and interest in certain patents, patent application rights, trademarks and the software copyrights to China Digital Video at an aggregate consideration of RMB101,475,970 (equivalent to approximately HK\$126,845,000), out of which RMB54,975,970 (equivalent to approximately HK\$68,720,000), representing approximately 54.2%, is payable to Founder Electronics.

On the same date, Peking Founder, Founder Electronics, Peking University (北京大學) (major shareholder of Peking Founder) entered into the Patents Licence Agreement with China Digital Video to grant certain exclusive rights to use the patents and patent application rights for the entire validity period to China Digital Video at a consideration of RMB7,000,000 (equivalent to approximately HK\$8,750,000), out of which RMB3,000,000 (equivalent to approximately HK\$3,750,000), representing approximately 42.9%, is payable to Founder Electronics.

Details of the transactions are set out in the announcement of the Company dated 18 March 2013.

## **AUDIT COMMITTEE**

The Audit Committee of the Board has reviewed the accounting policies, accounting standards and practices adopted by the Group and the consolidated financial statements and results of the Group for the year ended 31 December 2012.

## **CORPORATE GOVERNANCE**

In the opinion of the directors, the Company has fully complied with all the code provisions as set out in the Code on Corporate Governance Practices Code from 1 January 2012 to 31 March 2012. The Company has also fully complied with the code provisions as set out in the Corporate Governance Code, as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), during the period from 1 April 2012 to 31 December 2012.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules as the Company’s code of conduct and rules governing dealings by all directors in the securities of the Company. Having made specific enquiry of all directors of the Company, they all confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2012.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the year.

## **PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT**

The 2012 annual 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](http://www.hkexnews.hk)) and the Company’s website ([www.irasia.com/listco/hk/founder](http://www.irasia.com/listco/hk/founder)) in due course.

By Order of the Board  
**Founder Holdings Limited**  
**Fang Zhong Hua**  
*Chairman*

Hong Kong, 27 March 2013

*As at the date of this announcement, the board of directors of the Company comprises executive directors of Mr Fang Zhong Hua (Chairman), Professor Xiao Jian Guo (Deputy Chairman), Mr Liu Xiao Kun (President), Professor Yang Bin, Ms Yi Mei and Mr Wo Fei Yu, 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*