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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 2013

The Board of Directors (the "Board") of Founder Holdings Limited (the "Company") is pleased to announce the audited consolidated results and financial position of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2013 together with the comparative figures.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2013

	Notes	**2013**	2012
		HK$'000	*HK$'000*
REVENUE	4	**1,291,015**	2,130,753
Cost of sales		**(924,408)**	(1,707,999)
Gross profit		**366,607**	422,754
Other income and gains	4	**158,002**	80,678
Selling and distribution expenses		**(237,964)**	(261,839)
Administrative expenses		**(64,872)**	(68,233)
Other expenses, net		**(120,882)**	(117,602)
Finance costs	5	**(7,778)**	(9,396)
Share of profits and losses of associates		**1,561**	1,371
PROFIT BEFORE TAX	6	**94,674**	47,733
Income tax expense	7	**(8,187)**	(3,322)
PROFIT FOR THE YEAR		**86,487**	44,411
Attributable to:			
Owners of the parent		**86,241**	44,523
Non-controlling interests		**246**	(112)
		86,487	44,411
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		**HK7.6 cents**	HK3.9 cents
Diluted		**HK7.5 cents**	HK3.9 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2013

	2013	2012
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**86,487**	44,411
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income/(loss) of associates	**(794)**	138
Exchange differences on translation of foreign operations	**13,320**	6,092
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**12,526**	6,230
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Revaluation surplus of land and buildings	**73,230**	67,982
Income tax effect	**(7,339)**	(13,211)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**65,891**	54,771
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**78,417**	61,001
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**164,904**	105,412
Attributable to:		
Owners of the parent	**164,651**	105,511
Non-controlling interests	**253**	(99)
	164,904	105,412

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013	2012
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**333,053**	257,257
Investment properties		**70,292**	55,430
Investment in associates		**6,831**	17,995
Available-for-sale investments		**15,860**	–
Capitalised software costs		**7,632**	2,917
Finance lease receivables		**7,216**	8,168
Total non-current assets		**440,884**	341,767
CURRENT ASSETS			
Inventories		**49,979**	40,976
Gross amount due from contract customers		**11,496**	17,061
Trade and bills receivables	*9*	**218,087**	447,343
Prepayments, deposits and other receivables		**313,633**	215,103
Finance lease receivables		**1,946**	1,625
Pledged deposits		**11,859**	12,006
Cash and cash equivalents		**561,448**	429,955
Total current assets		**1,168,448**	1,164,069
CURRENT LIABILITIES			
Trade and bills payables	*10*	**106,594**	185,900
Gross amount due to contract customers		**9,882**	9,639
Other payables and accruals		**275,545**	280,095
Interest-bearing bank borrowings		**231,014**	229,807
Tax payable		**3,486**	2,695
Total current liabilities		**626,521**	708,136
NET CURRENT ASSETS		**541,927**	455,933
TOTAL ASSETS LESS CURRENT LIABILITIES		**982,811**	797,700
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**32,540**	23,477
Net assets		**950,271**	774,223
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**115,985**	113,030
Reserves		**833,901**	661,061
		949,886	774,091
Non-controlling interests		**385**	132
Total equity		**950,271**	774,223

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, available-for-sale investments, 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 POLICIES AND DISCLOSURES

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *– Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 12, HKFRS 13, HKAS 19 (2011), amendments to HKFRS 10, HKFRS 11, HKFRS 12, HKAS 1 and HKAS 36 and certain amendments included in *Annual Improvements 2009-2011 Cycle*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

    As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

    The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

(b) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities. Details of the disclosures for subsidiaries and associates are included in the financial statements.

(c) The HKFRS 10, HKFRS 11 and HKFRS 12 Amendments clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time.

(d) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of land and buildings, investment properties and financial instruments are included in the financial statements.

(e) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

(f) HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. As the Group does not have any defined benefit plan or employee termination plan and the Group does not have any significant employee benefits that are expected to be settled for more than twelve months after the reporting period, the adoption of the revised standard has had no effect on the financial position or performance of the Group.

(g) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group.

(h) *Annual Improvements 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

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 or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or 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.

	Software development and systems integration for media business		**Software development and systems integration for non-media business**		**Corporate**		**Others**		**Total**	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**911,664**	1,096,425	**378,965**	1,033,973	**–**	–	**386**	355	**1,291,015**	2,130,753
Revenue									**1,291,015**	2,130,753
Segment results	**76,701**	38,361	**5,496**	11,251	**(682)**	(8,642)	**1,654**	1,730	**83,169**	42,700
Reconciliation:										
Interest income									**13,903**	11,706
Gain on deemed disposal of an associate									**4,530**	–
Foreign exchange differences, net									**(711)**	1,352
Finance costs									**(7,778)**	(9,396)
Share of profits and losses of associates									**1,561**	1,371
Profit before tax									**94,674**	47,733

	Software development and systems integration for media business		Software development and systems integration for non-media business		Others		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**799,626**	660,631	**125,972**	317,254	**155,301**	121,805	**1,080,899**	1,099,690
Reconciliation:								
Elimination of intersegment receivables							**(52,280)**	(54,109)
Investments in associates							**6,831**	17,995
Corporate and other unallocated assets							**573,882**	442,260
Total assets							**1,609,332**	1,505,836
Segment liabilities	**450,837**	442,634	**15,262**	100,044	**10,530**	10,534	**476,629**	553,212
Reconciliation:								
Elimination of intersegment payables							**(52,280)**	(54,109)
Corporate and other unallocated liabilities							**234,712**	232,510
Total liabilities							**659,061**	731,613
Other segment information:								
Depreciation and amortisation	**13,942**	10,153	**1,356**	1,168	**2**	12	**15,300**	11,333
Capital expenditure*	**7,651**	13,786	**36**	–	**4**	–	**7,691**	13,786

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

Geographical information

(a) Revenue from external customers

	2013	2012
	HK$'000	*HK$'000*
Hong Kong	**385,428**	1,114,286
Mainland China	**905,571**	1,016,387
Others	**16**	80
	1,291,015	2,130,753

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

(b) Non-current assets

	2013	2012
	HK$'000	*HK$'000*
Hong Kong	**155,322**	121,788
Mainland China	**263,557**	201,984
Others	**22,005**	17,995
	440,884	341,767

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

Information about a major customer

Revenue of approximately HK$108,683,000 (2012: HK$499,594,000) was derived from sales by the software development and systems integration for non-media business 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:

	2013	2012
	HK$'000	*HK$'000*
Revenue		
Software development and systems integration	**1,290,629**	2,130,398
Others	**386**	355
	1,291,015	2,130,753
Other income		
Bank interest income	**3,146**	3,483
Other interest income	**10,634**	8,223
Interest income on finance lease receivables	**123**	205
Gross rental income	**2,778**	1,383
Government grants	**56,589**	53,381
Others	**6,406**	5,493
	79,676	72,168
Gains		
Fair value gains on investment properties	**14,862**	7,075
Foreign exchange differences, net	**–**	1,352
Gain on deemed disposal of an associate	**4,530**	–
Gain on transfer of intellectual properties	**58,934**	–
Others	**–**	83
	78,326	8,510
	158,002	80,678

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2013	2012
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**7,778**	9,396

6. PROFIT BEFORE TAX

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

	2013	2012
	HK$'000	*HK$'000*
Cost of inventories sold	**845,339**	1,601,568
Depreciation	**14,055**	11,220
Amortisation of capitalised software costs	**1,245**	113
Loss on disposal of items of property, plant and equipment	**281**	82
Foreign exchange differences, net	**711**	(1,352)

7. INCOME TAX

	2013	2012
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Charge for the year	**547**	237
Under provision in prior years	**190**	–
Current – Mainland China		
Charge for the year	**6,856**	6,812
Overprovision in prior year	**(539)**	(3,727)
Deferred	**1,133**	–
Total tax charge for the year	**8,187**	3,322

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.

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%.

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$210,000 (2012: HK$492,000) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

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 1,134,348,107 (2012: 1,130,299,893) in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent as used in the basic earnings per share calculation. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

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

	Number of shares	
	2013	2012
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,134,348,107**	1,130,299,893
Effect of dilution – weighted average number of ordinary shares: share options	**15,199,429**	–
	1,149,547,536	1,130,299,893

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:

	2013	2012
	HK$'000	*HK$'000*
Within 6 months	**187,485**	403,131
7 to 12 months	**9,956**	19,905
13 to 24 months	**20,646**	24,307
	218,087	447,343

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:

	2013	2012
	HK$'000	*HK$'000*
Within 6 months	**91,684**	164,242
7 to 12 months	**3,207**	7,936
13 to 24 months	**3,112**	5,690
Over 24 months	**8,591**	8,032
	106,594	185,900

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 (2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE

The Group reported a profit attributable to equity holders of the parent for the year ended 31 December 2013 of approximately HK$86.2 million (year ended 31 December 2012: HK$44.5 million). The Group's turnover for the current financial year decreased by 39.4% to approximately HK$1,291.0 million (year ended 31 December 2012: HK$2,130.8 million) due to decrease in sales of information products for non-media segment and sales of hardware for media segment. Gross profit for the current year decreased by 13.3% to HK$366.6 million compared with last financial year's HK$422.8 million. Gross profit ratio increased from 19.8% for the last financial year to 28.4% for the current financial year as a results of increase in proportion of sales of technical services with higher gross profit margin.

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

a. a decrease in the revenue of software development and systems integration by 39.4% to HK$1,291.0 million (year ended 31 December 2012: HK$2,130.8 million);

b. an increase in other income and gains (excluding gain on transfer of intellectual properties in (c)) by 22.8% to HK$99.1 million (year ended 31 December 2012: HK$80.7 million) as a result of increase in government grants for the sale of software approved by the PRC tax authority and the development of software in Mainland China and fair value gains on investment properties;

c. gain on transfer of intellectual properties patents relating to broadcasting business of HK$58.9 million (year ended 31 December 2012: Nil); and

d. a slight decrease in total selling and distribution costs, administrative expenses and other expenses, net by 5.3% to HK$423.7 million (year ended 31 December 2012: HK$447.7 million) as a result of strict control on expenses imposed by the management under the competitive operating environment.

Basic and diluted earnings per share attributable to equity holders of the parent for the year was HK7.6 cents (year ended 31 December 2012: HK3.9 cents) and HK7.5 cents (year ended 31 December 2012: HK3.9 cents) respectively.

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 by 16.9% to approximately HK$911.7 million (year ended 31 December 2012: HK$1,096.4 million). The segment results recorded a profit of approximately HK$76.7 million (year ended 31 December 2012: HK$38.4 million). The gross profit ratio for the Media Business has increased from last financial year's 37.2% to 39.4% in current financial year due to increase in proportion of sales of technical services with higher gross profit margin.

The revenue of Media Business was affected by the slow growth of traditional newspaper, media and printing industry in the PRC in 2013. In view of the loss-making results for the digital broadcasting business of Beijing Founder Electronics Co., Ltd. ("Founder Electronics", the wholly owned subsidiary of the Group), for the previous two years and the increasing competition in digital broadcasting industry, Founder Electronics entered into intellectual properties transfer agreement and patents licence agreement on 18 March 2013 to transfer and assign the rights of patents relating to the broadcasting business to China Digital Video (Beijing) Limited. Further details are set out in the announcement of the Company dated 18 March 2013 and circular of the Company dated 16 April 2013. The transaction was partially completed during the financial year under review.

Digital Media Business

In 2013, Founder Electronics' marketing of a All-round Media and News Editing System (全媒體新聞採編系統) was in full swing. Under these efforts, sales of that product recorded a substantial increase over the year under review and captured a leading position in the industry in the PRC. Founder Electronics actively expanded markets in addition to traditional newspaper publishers (such as coal, electricity, railway, education and real estate), and achieved an outstanding performance. Moreover, the Company launched a number of new products, including 方正暢營運營管理平臺 and new media series solutions. Those new products received preliminary accreditation from the market. The Company still maintained its strong market position when competing for large customers and large projects, and has obtained orders from the People's Daily (人民日報), Guangming Daily (光明日報) and Changan Web (長安網) etc.

Printing Business

In 2013, Founder Electronics initiated the concept of "all-in-one" (全能印廠) solutions, and successfully launched four core software products, namely EasiPrint screen printing network printing platform (印捷網印網絡印刷平台), production management platform (生產管理平台), hybrid workflow (混合工作流程), and Rui Cai color adjustment platform (睿彩校色平台). "All-in-one" model wins unanimous recognition from customers and industry experts. The new generation of L series inkjet printer (L系列噴墨印刷機), which was launched to market in 2013, has successfully penetrated the printing market of brochures, while inkjet coding segment maintained its leading position in terms of national market share. The new P5100 web inkjet printers will be launched to a larger market in terms of size and value in the coming year.

Font Library Business

In 2013, Founder Electronics introduced 67 new fonts, and was rated as a "Design Innovation Center in Beijing" by the Beijing Municipal Science and Technology Commission. Founder Electronics filed and won the lawsuit against enterprise for copyright infringement, showing that an ingeniously-designed single word can be protected by copyright. In 2013, Founder Electronics was awarded " Most influential company in China's copyright industry". In respect of B2C business, Founder Electronics launched "Mr. writing" (寫字先生) with IOS version and Android version. Users can make use of the program to practise calligraphy and to create font design on a phone screen, and then share their work on social networks. That product is expected to become a platform for calligraphy lovers.

Public Sentiment Business

In 2013, Founder Electronics explored a technological route between Weixin (微信) and News Terminal Public Opinion Monitoring (新聞客端輿情監測), following the era of mobile and internet. Founder Electronics also upgraded its data center platform, which is based on cloud computing and cloud storage technology and provides a set of large-scale data application support system performing acquisition, storage, retrieval and analysis of data under one data centre platform. In 2013, by leveraging its extensive public sentiment technology expertise, Founder Electronics expanded vertically into the areas of information services (such as government, energy, automotive and home appliances) and made a breakthrough.

(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 decreased by 63.3% to approximately HK$379.0 million (year ended 31 December 2012: HK$1,034.0 million) while its segment results has recorded a profit of approximately HK$5.5 million (year ended 31 December 2012: HK$11.3 million).

The major products provided by the Non-Media Business include various information products such as servers, storage devices and workstations of a number of internationally famed and branded information products manufacturers such as HP, Cisco and Hitachi. The decrease in segment revenue and profit were mainly due to decrease in sales of information products in the banking sector in the PRC and decrease in sales of HP products to a subsidiary of Peking University Resources (Holdings) Company Limited, a related company of the Company. The demand of information products was lower during the current financial year after the banking systems and other information systems have been upgraded by the customers in the previous year.

In October 2013, the Company obtained Best Investment Value Award for listed companies (最具投資價值上市公司) from a number of consulting and public relations firms in Hong Kong. In December 2013, Founder Electronics obtained the special honours of Most Impressive Enterprise of Copyright in China (中國版權產業最具影響力企業) from Copyright Society of China (中國版權協會). In September 2013, Founder Electronics was awarded as 2013 Annual Invocative Software Enterprise (2013中國年度創新軟件企業) by China Software Industry Association (中國軟件協會). In July 2013, Founder Electronics obtained the special awards of The Sixth Wang Xuan Award (第六屆王選獎) from China Association of Press Technicans (中國新聞技術工作者聯合會) for the development of various successful systems and softwares.

PROSPECTS

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

EMPLOYEES

The Group has developed its human resources policies and procedures based on performance and merit. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus systems. The Group provides on-the-job training to its employees in addition to retirement benefit schemes and medical insurance.

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 2013, the number of employees of the Group was approximately 1,258 (31 December 2012: 1,362).

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 2013, the Group had interest-bearing bank borrowings of approximately HK$231.0 million (31 December 2012: HK$229.8 million), of which HK$71.8 million (31 December 2012: Nil) were fixed interest bearing and HK$159.2 million (31 December 2012: HK$229.8 million) were floating interest bearing. The bank borrowings were denominated in Hong Kong Dollars ("HKD"), Renminbi ("RMB"), United States Dollars ("U.S. dollars") and GBP, and were repayable within one year. The Group's banking facilities were secured by corporate guarantees given by the Company and 北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder"), a substantial shareholder of the Company, the Government of the Hong Kong Special Administrative Region under the SME Loan Guarantee Scheme, certain of the Group's land and buildings, investment properties and bank deposits, and certain of the subsidiary of Peking Founder's bank deposits.

At 31 December 2013, the Group recorded total assets of HK$1,609.3 million which were financed by liabilities of HK$659.0 million, non-controlling interests of HK$0.4 million and equity of HK$949.9 million. The Group's net asset value per share as at 31 December 2013 amounted to HK$0.84 (31 December 2012: HK$0.68).

The Group had total cash and bank balances of HK$573.3 million as at 31 December 2013 (31 December 2012: HK$442.0 million). After deducting total bank borrowings of HK$231.0 million (31 December 2012: HK$229.8 million), the Group recorded net cash and bank balances of HK$342.3 million as at 31 December 2013 as compared to HK$212.2 million as at 31 December 2012. 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 2013, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders' equity, was 0.24 (31 December 2012: 0.30) while the Group's working capital ratio was 1.86 (31 December 2012: 1.64).

At 31 December 2013, 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 2013, the major contracts in hand for the software development and systems integration business amounted to approximately HK$392.0 million (31 December 2012: HK$275.8 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 2013.

Charges on assets

At 31 December 2013, the Group's land and buildings in Hong Kong of approximately HK$80.6 million and investment properties of approximately HK$68.8 million and bank deposits of approximately HK$11.9 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 31 December 2013.

Contingent liabilities

At 31 December 2013, the Group did not have any significant contingent liabilities.

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 2013.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has fully complied with all the code provisions as set out in the Corporate Governance Code (the "CG Code"), contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), throughout the year ended 31 December 2013, except for the following deviations:

Provision A.6.7 of the CG Code provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr Fung Man Yin, Sammy (independent non-executive director of the Company) could not attend the special general meeting of the Company held on 22 January 2013 due to other business engagements. However, all other independent non-executive directors of the Company were present thereat to be available to answer any question to ensure effective communication with shareholders of the Company.

Provision E.1.2 of the CG Code provides that the Chairman of the board should attend the annual general meeting. Mr Fang Zhong Hua could not attend the annual general meeting of the Company held on 29 May 2013 due to business commitment in the PRC. Professor Yang Bin, the President of the Company, was present thereat to be available to answer questions at the annual general meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 2013.

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 2013 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) and the Company's website (www.irasia.com/listco/hk/founder) in due course.

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

Hong Kong, 26 March 2014

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