

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



FOUNDER HOLDINGS LIMITED
方正控股有限公司*

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

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

INTERIM RESULTS

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

	<i>Notes</i>	For the six months ended	
		2014	2013
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
REVENUE	2	430,180	502,701
Cost of sales		(288,010)	(371,463)
Gross profit		142,170	131,238
Other income and gains	3	26,698	20,794
Selling and distribution costs		(93,569)	(113,388)
Administrative expenses		(32,176)	(30,639)
Other expenses, net		(63,081)	(57,642)
Finance costs	4	(4,621)	(3,610)
Share of profits and losses of associates		19	1,146
LOSS BEFORE TAX	5	(24,560)	(52,101)
Income tax expense	6	(4,363)	(510)
LOSS FOR THE PERIOD		(28,923)	(52,611)

		For the six months ended	
		30 June	
		2014	2013
		(Unaudited)	(Unaudited)
<i>Note</i>		HK\$'000	HK\$'000
Attributable to:			
	Owners of the parent	(28,823)	(52,724)
	Non-controlling interests	(100)	113
		<u>(28,923)</u>	<u>(52,611)</u>
LOSS PER SHARE ATTRIBUTABLE TO			
ORDINARY EQUITY HOLDERS OF THE PARENT			
		<i>7</i>	
	– Basic	<u>HK(2.47) cents</u>	<u>HK(4.66) cents</u>
	– Diluted	<u>HK(2.47) cents</u>	<u>HK(4.66) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 June 2014*

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2014

		30 June	31 December
		2014	2013
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		324,076	333,053
Available-for-sale investments		13,433	15,860
Investment properties		70,292	70,292
Capitalised software costs		7,867	7,632
Investment in associates		6,353	6,831
Finance lease receivables		–	7,216
		<hr/>	<hr/>
Total non-current assets		422,021	440,884
CURRENT ASSETS			
Inventories		45,620	49,979
Gross amount due from contract customers		4,677	11,496
Trade and bills receivables	8	208,138	218,087
Prepayments, deposits and other receivables		346,083	313,633
Finance lease receivables		–	1,946
Pledged deposits		10,455	11,859
Cash and cash equivalents		375,263	561,448
		<hr/>	<hr/>
Total current assets		990,236	1,168,448
CURRENT LIABILITIES			
Trade and bills payables	9	63,271	106,594
Gross amount due to contract customers		9,709	9,882
Receipts in advance, other payables and accruals		218,711	275,545
Interest-bearing bank borrowings		182,109	231,014
Tax payable		1,348	3,486
		<hr/>	<hr/>
Total current liabilities		475,148	626,521
NET CURRENT ASSETS			
		<hr/> 515,088	<hr/> 541,927
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/> 937,109	<hr/> 982,811

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2014

1. ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2014 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2013, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period’s financial statements:

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>
HKAS 36 Amendments	Amendments to HKAS 36 <i>Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>
HK (IFRIC)-Int 21	<i>Levies</i>

The adoption of the above HKFRSs has had no significant impact on the accounting policies of the Group and the methods of computation in the Group’s condensed consolidated interim financial statements.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services. The following table presents revenue and results for the Group's segments for the six months ended 30 June 2014 and 2013:

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

3. OTHER INCOME AND GAINS

For the six months ended

30 June

2014 2013

(Unaudited) (Unaudited)

HK\$'000 HK\$'000

Bank interest income	1,894	1,817
Other interest income	7,425	3,266
Gross rental income	805	774
Government grants	15,158	12,963
Others	1,416	1,974
	<u>26,698</u>	<u>20,794</u>

4. FINANCE COSTS

For the six months ended

30 June

2014 2013

(Unaudited) (Unaudited)

HK\$'000 HK\$'000

Interest on bank loans	<u>4,621</u>	<u>3,610</u>
------------------------	--------------	--------------

5. LOSS BEFORE TAX

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

For the six months ended

30 June

2014 2013

(Unaudited) (Unaudited)

HK\$'000 HK\$'000

Depreciation	8,310	6,646
Amortisation of capitalised software costs	1,061	509
Gain on disposal of items of property, plant and equipment	(39)	(46)
Loss on termination of financial lease	4,444	–
Impairment of trade receivables	6,183	10,121
Impairment of other receivables	3,600	1,714
Provision for obsolete inventories	1,675	3,281
Foreign exchange differences, net	<u>591</u>	<u>254</u>

6. INCOME TAX

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

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

PRC corporate income tax represents the tax charged on the estimated assessable profits arising in Mainland China. In general, the PRC subsidiaries of the Group are subject to the PRC corporate income tax rate of 25% except for certain PRC subsidiaries which are entitled to preferential tax rate at 15% during the six months ended 30 June 2014 and 2013.

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

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

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

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

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

8. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Trade and bills receivables are settled in accordance with the terms of the respective contracts. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivables balances. Trade and bills receivables are non-interest-bearing.

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

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Within 6 months	173,972	187,485
7 to 12 months	21,330	9,956
13 to 24 months	12,836	20,646
	208,138	218,087

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\$12,161,000 (31 December 2013: HK\$497,000), and a subsidiary of Peking University Resources (Holdings) Company Limited ("PKU Resources"), in which a 55.40% equity interest was held by a subsidiary of Peking Founder, of approximately HK\$808,000 (31 December 2013: HK\$6,938,000), which are repayable on similar credit terms to those offered to the major customers of the Group.

* For identification purpose only

9. TRADE AND BILLS PAYABLES

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

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

Included in the Group's trade and bills payables are amounts due to subsidiaries of Peking Founder of approximately HK\$901,000 (31 December 2013: HK\$1,260,000), and a subsidiary of PKU Resources of approximately HK\$110,000 (31 December 2013: Nil), which are repayable on similar credit terms to those offered by the related companies to their major customers.

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

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

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

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

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

Operating Review and Prospects

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

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

Printing Business

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

Digital Media Business

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

Public Sentiment Business

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

Electronic Publishing Business

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

Font Library Business

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

Digital Education Business

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

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

The turnover of the non-media business of the Group for the current interim period decreased by 51.6% to approximately HK\$80.7 million (six months ended 30 June 2013: HK\$166.5 million) while its segment results has recorded a profit of approximately HK\$5.9 million (six months ended 30 June 2013: loss of HK\$0.9 million).

The major products provided by the non-media business include various information products such as servers, storage devices and workstations of a number of internationally famed and branded information products manufacturers such as HP, Hitachi, IBM and Oracle Systems. The decrease in segment revenue were mainly due to decrease in sales of information products in the banking sector in the PRC and decrease in sales of HP products to a subsidiary of Peking University Resources (Holdings) Company Limited, a related company of the Company. The demand of information products was lower during the after the banking systems and other information systems have been upgraded by the customers in the previous period. The improvement in segment results was due to increase in the proportion of service income with higher gross profit margin.

PROSPECTS

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

EMPLOYEES

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

The Group operates share option scheme for the purpose of providing incentives and rewards to eligible directors and employees of the Group who contribute to the success of the Group's operations. The Group had not granted any share options to its eligible directors and employees during the current interim period.

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

FINANCIAL REVIEW

Liquidity, financial resources and capital commitments

During the current interim period, the Group generally financed its operations with internally generated resources and banking facilities provided by its principal bankers in Hong Kong and the PRC. As at 30 June 2014, the Group had interest-bearing bank borrowings of approximately HK\$182.1 million (31 December 2013: HK\$231.0 million), of which HK\$40.1 million (31 December 2013: HK\$71.8 million) were fixed interest bearing and HK\$142.0 million (31 December 2013: HK\$159.2 million) were floating interest bearing. The bank borrowings were denominated in Hong Kong Dollars ("HKD"), Renminbi ("RMB") and United States Dollars ("U.S. dollars"), and were repayable within one year. The Group's banking facilities were secured by corporate guarantees given by the Company and 北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder"), a substantial shareholder of the Company, the Government of the Hong Kong Special Administrative Region under the SME Loan Guarantee Scheme, certain of the Group's land and buildings, investment properties and bank deposits and bank deposits of related company.

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

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

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

* *For identification purpose only*

Treasury policies

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

Exposure to fluctuations in exchange rates and related hedges

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

Contracts

At 30 June 2014, the major contracts in hand for the software development and systems integration business amounted to approximately HK\$277.9 million (31 December 2013: HK\$392.0 million), which are all expected to be completed within one year time.

Material acquisitions and disposals of subsidiaries and associates

The Group had no material acquisition or disposal of subsidiaries and associates during the six months ended 30 June 2014.

Charges on assets

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

Future Plans for Material Investments or Capital Assets

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

Contingent liabilities

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

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

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

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

The Company has adopted a model code of conduct regarding securities transactions by directors of the Company on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions as set out in Appendix 10 of the Listing Rules. Having made specific enquiry by the Company, all directors have confirmed that they have complied with the Model Code regarding directors' securities transactions throughout the accounting period covered by the interim report.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's condensed consolidated interim financial statements for the six months ended 30 June 2014, including the accounting principles adopted by the Group, with the Company's management.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The 2014 interim report of the Company containing all the information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders of the Company and published on The Hong Kong Exchanges and Clearing Limited's website (www.hkexnews.hk) and the Company's website (www.irasia.com/listco/hk/founder) in due course.

By Order of the Board
FOUNDER HOLDINGS LIMITED
Fang Zhong Hua
Chairman

Hong Kong
28 August 2014

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), 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*