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FOUNDER HOLDINGS LIMITED
方正控股有限公司*

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

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015

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 2015, together with the comparative figures for the corresponding period in 2014. 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 2015

| | | For the six months ended 30 June | |
|---|--------------|---|--------------------|
| | | 2015 | 2014 |
| | | (Unaudited) | (Unaudited) |
| | <i>NOTES</i> | HK\$’000 | HK\$’000 |
| Revenue | 2 | 398,415 | 430,180 |
| Cost of sales | | (254,725) | (288,010) |
| Gross profit | | 143,690 | 142,170 |
| Other income and gains | 3 | 27,510 | 26,698 |
| Selling and distribution expenses | | (99,378) | (93,569) |
| Administrative expenses | | (36,261) | (32,176) |
| Other expenses, net | | (51,364) | (63,081) |
| Finance costs | 4 | (4,546) | (4,621) |
| Share of profits and losses of associates | | (348) | 19 |
| Loss before tax | 5 | (20,697) | (24,560) |
| Income tax expense | 6 | (17,899) | (4,363) |
| Loss for the period | | (38,596) | (28,923) |

| | | For the six months ended 30 June | |
|---|--------------|---|-----------------------|
| | | 2015 | 2014 |
| | | (Unaudited) | (Unaudited) |
| | <i>NOTES</i> | HK\$'000 | HK\$'000 |
| Attributable to: | | | |
| Owners of the parent | | (38,538) | (28,823) |
| Non-controlling interests | | (58) | (100) |
| | | <u>(38,596)</u> | <u>(28,923)</u> |
| Loss per share attributable to ordinary equity holders of the parent | | | |
| – Basic | 7 | <u>HK(3.21) cents</u> | <u>HK(2.47) cents</u> |
| – Diluted | | <u>HK(3.21) cents</u> | <u>HK(2.47) cents</u> |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

| | For the six months ended 30 June | |
|---|-------------------------------------|---------------------------------|
| | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 |
| Loss for the period | (38,596) | (28,923) |
| Other comprehensive income/(loss) | | |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods: | | |
| Changes in fair value of available-for-sale investment | – | (2,784) |
| Income tax effect | – | 696 |
| | – | (2,088) |
| Share of other comprehensive income/(loss) of associates | (140) | 82 |
| Exchange differences on translation of foreign operations | 417 | (15,841) |
| Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods | 277 | (17,847) |
| Other comprehensive income/(loss) for the period, net of tax | 277 | (17,847) |
| Total comprehensive loss for the period | <u>(38,319)</u> | <u>(46,770)</u> |
| Attributable to: | | |
| Owners of the parent | (38,261) | (46,661) |
| Non-controlling interests | (58) | (109) |
| | <u>(38,319)</u> | <u>(46,770)</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2015

| | | 30 June 2015 (Unaudited) HK\$'000 | 31 December 2014 (Audited) HK\$'000 |
|---|-------|--|--|
| | NOTES | | |
| Non-current assets | | | |
| Property, plant and equipment | | 296,218 | 302,725 |
| Investment properties | | 96,328 | 96,321 |
| Intangible assets | 8 | 15,880 | 7,403 |
| Investment in associates | | 5,701 | 6,189 |
| Available-for-sale investment | | 8,253 | 9,564 |
| | | 422,380 | 422,202 |
| Total non-current assets | | | |
| Current assets | | | |
| Inventories | | 69,319 | 71,196 |
| Gross amount due from contract customers | | 29,767 | 45,400 |
| Trade and bills receivables | 9 | 181,659 | 257,597 |
| Prepayments, deposits and other receivables | | 344,802 | 344,028 |
| Equity investment at fair value through profit or loss | | 555 | – |
| Pledged deposits | | 9,831 | 25,691 |
| Cash and cash equivalents | | 481,381 | 524,545 |
| Tax recoverable | | 426 | 1,428 |
| | | 1,117,740 | 1,269,885 |
| Total current assets | | | |
| Current liabilities | | | |
| Trade and bills payables | 10 | 62,391 | 130,504 |
| Gross amount due to contract customers | | 17,495 | 12,304 |
| Receipts in advance, other payables and accruals | | 333,638 | 361,228 |
| Interest-bearing bank borrowings | | 171,248 | 194,135 |
| Tax payable | | 2,024 | 2,298 |
| | | 586,796 | 700,469 |
| Total current liabilities | | | |
| Net current assets | | 530,944 | 569,416 |
| Total assets less current liabilities | | 953,324 | 991,618 |

| | 30 June 2015 (Unaudited) HK\$'000 | 31 December 2014 (Audited) HK\$'000 |
|--|--|--|
| Non-current liabilities | | |
| Deferred tax liabilities | <u>30,118</u> | <u>30,093</u> |
| Net assets | <u>923,206</u> | <u>961,525</u> |
| Equity | | |
| Equity attributable to owners of the parent | | |
| Issued capital | 119,975 | 119,975 |
| Reserves | <u>802,908</u> | <u>841,169</u> |
| | 922,883 | 961,144 |
| Non-controlling interests | <u>323</u> | <u>381</u> |
| Total equity | <u>923,206</u> | <u>961,525</u> |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2015

1. ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2015 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 2014, 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:

| | |
|-------------------------------------|--|
| Amendments to HKAS 19 | <i>Defined Benefit Plans: Employee Contributions</i> |
| Annual Improvements 2010-2012 Cycle | <i>Amendments to a number of HKFRSs</i> |
| Annual Improvements 2011-2013 Cycle | <i>Amendments to a number of HKFRSs</i> |

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

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services. The following table presents revenue and results for the Group’s segments for the six months ended 30 June 2015 and 2014:

| | Software development, systems integration and information products distribution for media business | | Information products distribution for non-media business | | Corporate | | Others | | Total | |
|---|--|---------------------------------|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | 2015 (Unaudited) HK\$’000 | 2014 (Unaudited) HK\$’000 | 2015 (Unaudited) HK\$’000 | 2014 (Unaudited) HK\$’000 | 2015 (Unaudited) HK\$’000 | 2014 (Unaudited) HK\$’000 | 2015 (Unaudited) HK\$’000 | 2014 (Unaudited) HK\$’000 | 2015 (Unaudited) HK\$’000 | 2014 (Unaudited) HK\$’000 |
| Segment revenue: | | | | | | | | | | |
| Sales to external customers | 374,322 | 349,299 | 23,888 | 80,652 | - | - | 205 | 229 | 398,415 | 430,180 |
| Segment results | (14,751) | (29,239) | (1,974) | 5,930 | (6,678) | (5,576) | 157 | 199 | (23,246) | (28,686) |
| <i>Reconciliation:</i> | | | | | | | | | | |
| Interest income | | | | | | | | | 9,047 | 9,319 |
| Finance costs | | | | | | | | | (4,546) | (4,621) |
| Share of profits and losses of associates | | | | | | | | | (348) | 19 |
| Foreign exchange differences, net | | | | | | | | | (1,604) | (591) |
| Loss before tax | | | | | | | | | <u>(20,697)</u> | <u>(24,560)</u> |

3. OTHER INCOME AND GAINS

| | For the six months ended 30 June | |
|--|---|-------------------------|
| | 2015 | 2014 |
| | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 |
| Bank interest income | 1,952 | 1,894 |
| Other interest income | 7,095 | 7,425 |
| Gross rental income | 1,395 | 805 |
| Government grants | 15,191 | 15,158 |
| Equity investment at fair value through profit or loss | 577 | – |
| Others | 1,300 | 1,416 |
| | <u>27,510</u> | <u>26,698</u> |

4. FINANCE COSTS

| | For the six months ended 30 June | |
|------------------------|---|-------------------------|
| | 2015 | 2014 |
| | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 |
| Interest on bank loans | <u>4,546</u> | <u>4,621</u> |

5. LOSS BEFORE TAX

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

| | <i>NOTE</i> | For the six months ended 30 June | |
|--|-------------|---|-------------------------|
| | | 2015 | 2014 |
| | | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 |
| Cost of goods sold | | 254,725 | 288,010 |
| Depreciation | | 8,531 | 8,310 |
| Amortisation of intangible assets | 8 | 3,861 | 1,061 |
| Gain on disposal of items of property, plant and equipment | | (185) | (39) |
| Loss on termination of finance lease | | – | 4,444 |
| Impairment of trade receivables | | 5,960 | 6,183 |
| Impairment of other receivables | | 3,368 | 3,600 |
| Impairment of available-for-sale investment | | 659 | – |
| Provision for obsolete inventories | | 5,742 | 1,675 |
| Foreign exchange differences, net | | <u>1,604</u> | <u>591</u> |

6. INCOME TAX

| | For the six months ended 30 June | |
|---|-------------------------------------|---------------------------------|
| | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 |
| Group: | | |
| Current – Hong Kong | | |
| Charge for the period | 122 | 191 |
| Current – The People’s Republic of China (“Mainland China” or the “PRC”) | | |
| Charge for the period | 1,559 | – |
| Underprovision/(overprovision) in prior year | (320) | 4,172 |
| Other tax provision made in current period | 16,538 | – |
| | <hr/> | <hr/> |
| Total tax charge for the period | 17,899 | 4,363 |

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 2014: 16.5%).

PRC corporate income tax (“CIT”) 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 2015 and 2014. During the six months ended 30 June 2015, one of the Company’s PRC subsidiaries, Beijing Founder Electronics Co., Ltd., provided CIT in aggregate amount of HK\$16,538,000 in respect of the government grants received. The amount was fully paid to the local tax bureau by 30 June 2015.

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

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

The calculation of basic loss per share amounts is based on the unaudited loss for the period attributable to ordinary equity holders of the parent of approximately HK\$38,538,000 (six months ended 30 June 2014: HK\$28,823,000), and the weighted average number of ordinary shares of approximately 1,199,747,000 (six months ended 30 June 2014: 1,164,855,000) 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 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. The Group had no potentially dilutive ordinary shares in issue during six months ended 30 June 2015.

8. INTANGIBLE ASSETS

| | <i>NOTE</i> | Patents and acquired software (Unaudited) HK\$'000 | Development expenditure on media software (Unaudited) HK\$'000 | Total (Unaudited) HK\$'000 |
|---|-------------|---|---|---|
| 30 June 2015 | | | | |
| Cost at 1 January 2015, net of accumulated amortization | | – | 7,403 | 7,403 |
| Acquisition from related companies | | 12,310 | – | 12,310 |
| Amortisation provided during the period | 5 | (1,988) | (1,873) | (3,861) |
| Exchange realignment | | 28 | – | 28 |
| | | <u>10,350</u> | <u>5,530</u> | <u>15,880</u> |
| At 30 June 2015 | | | | |
| At 30 June 2015: | | | | |
| Cost | | 12,343 | 11,270 | 23,613 |
| Accumulated amortisation | | (1,993) | (5,740) | (7,733) |
| | | <u>10,350</u> | <u>5,530</u> | <u>15,880</u> |
| Net carrying amount | | | | |
| | | <u>10,350</u> | <u>5,530</u> | <u>15,880</u> |
| 30 June 2014 | | | | |
| Cost at 1 January 2014, net of accumulated amortisation | | – | 7,632 | 7,632 |
| Addition – internal development | | – | 1,497 | 1,497 |
| Amortisation provided during the period | 5 | – | (1,061) | (1,061) |
| Exchange realignment | | – | (201) | (201) |
| | | <u>–</u> | <u>7,867</u> | <u>7,867</u> |
| At 30 June 2014 | | | | |
| At 30 June 2014: | | | | |
| Cost | | – | 10,254 | 10,254 |
| Accumulated amortisation | | – | (2,387) | (2,387) |
| | | <u>–</u> | <u>7,867</u> | <u>7,867</u> |
| Net carrying amount | | | | |
| | | <u>–</u> | <u>7,867</u> | <u>7,867</u> |

9. TRADE AND BILLS RECEIVABLES

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

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

| | 30 June 2015 (Unaudited) HK\$'000 | 31 December 2014 (Audited) HK\$'000 |
|-----------------|--|--|
| Within 6 months | 130,384 | 213,757 |
| 7 to 12 months | 24,059 | 35,532 |
| 13 to 24 months | 27,216 | 8,308 |
| | <u>181,659</u> | <u>257,597</u> |

Included in the Group's trade and bills receivables are amounts due from subsidiaries of 北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder"), a substantial shareholder of the Company, of approximately HK\$4,028,000 (31 December 2014: HK\$16,148,000), which are repayable on similar credit terms to those offered to the major customers of the Group.

* For identification purpose only

10. TRADE AND BILLS PAYABLES

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

| | 30 June 2015 (Unaudited) HK\$'000 | 31 December 2014 (Audited) HK\$'000 |
|-----------------|--|--|
| Within 6 months | 52,256 | 109,304 |
| 7 to 12 months | 2,698 | 9,029 |
| 13 to 24 months | 2,650 | 3,909 |
| Over 24 months | 4,787 | 8,262 |
| | <u>62,391</u> | <u>130,504</u> |

Included in the Group's trade and bills payables are amounts due to subsidiaries of Peking Founder of approximately HK\$1,881,000 (31 December 2014: HK\$5,471,000), and a subsidiary of Peking University Resources (Holdings) Company Limited ("PKU Resources"), a subsidiary of Peking Founder, of approximately HK\$341,000 (31 December 2014: HK\$264,000), which are repayable on similar credit terms to those offered by the related companies to their major customers.

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

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: 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 2015 of approximately HK\$38.5 million (six months ended 30 June 2014: HK\$28.8 million). The Group's turnover for the current interim period decreased by 7.4% to approximately HK\$398.4 million (six months ended 30 June 2014: HK\$430.2 million) due to decrease in sales of information products for non-media segment. Gross profit for the current interim period was maintained at around HK\$143.7 million. Gross profit ratio increased from 33.0% for the last interim period to 36.1% 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 decline 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 revenue by 7.4% to approximately HK\$398.4 million (six months ended 30 June 2014: HK\$430.2 million); and
- b. an increase in tax from approximately HK\$4.4 million to HK\$17.9 million as a result of other tax provision made in current period in respect of the government grants received.

Basic and diluted loss per share attributable to equity holders of the parent for the year were HK3.21 cents (six months ended 30 June 2014: HK2.47 cents).

Operating Review and Prospects

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

The turnover of the media business of the Group for the current interim period increased by 7.2% to approximately HK\$374.3 million (six months ended 30 June 2014: HK\$349.3 million). The segment results recorded a loss of approximately HK\$14.8 million (six months ended 30 June 2014: HK\$29.2 million). The gross profit ratio for the media business was maintained at 38%. The improvement in segment results was due to increase in segment revenue and strict control on expenses.

Font Library Business

Benefitting from an improved environment of font library copyright after Beijing Founder Electronics Co., Ltd. (“Founder Electronics”, the wholly-owned subsidiary of the Company) won the lawsuits for an infringement against the use of Founder QianTi font (方正倩體) and Founder PingHeTi font (方正平和體) at Nanjing Railway Transportation Court and the Third Intermediate People’s Court of Beijing respectively at the end of last year, we officially started the Support Program of Public Service Genuine Fonts (正版字體支持計劃) and launched various new fonts, including but not limited to RuShuiYun (銳水雲), QuSong (趣宋), RuiZhengHei (銳正黑), GongYeHei (工業黑), HeLi (黑隸) series, GuFang (古仿), JinLing font (金陵體) and LongZhua font (龍爪體), attracting more and more enterprises to purchase the authorization of Founder Electronics font library. A kick-off meeting in respect of the Chinese font library project we undertook, i.e. the 17th and 20th pack (the 17th pack: word collection and sorting for contemporary names of people and places; the 20th pack: intermediate font library, the finished font library such as Song (宋體) and Kai (楷體)), a major scientific and technological project in press and publication industry, was held on 24 March 2015, declaring the start of the project development. In respect of B2C business, the latest V2.25 of “Mr. writing” (寫字先生), a social platform designed for people to practice calligraphy, write and share, greatly improved the user experience and was freely recommended by 360 Store (360商店) and MI Store (小米商店).

Internet Large-scale Data Business

Leveraging on existing technologies and businesses, Founder Electronics intends to fully enter into the internet large-scale data business, specifically, to construct and operate an internet large-scale data analysis service platform based on internet search and analysis technology with proprietary intellectual property rights, by putting into more investment and inducing more talents. In order to strengthen our expansion into this industry for technological products and business model tailored to the needs of our users, we proceeded to an organization restructuring throughout the business department by adding an Amoeba team responsible for industry expansion to our existing platform of data center maintenance and core technologies research and development. Inside our team, we proactively implemented the business model of “technology + service”, and promoted it to the whole industry. Currently, the initial effect has been seen: in respect of traditional internet public sentiment information service and national network security technology service, most large-scale construction projects we undertook progressed well to the satisfactory of customers, which brought more opportunities for projects to consolidate our traditional strength and market position. Meanwhile, we succeeded in cooperating with relevant competent authorities and famous brands around the world in such field as education, travelling and household appliances, forming a service model of large-scale data analysis oriented to industrial application and with good marketing prospect. Looking forward, we will focus on the industry to pool our efforts and increase investments, striving to be one of the large-scale data application market leaders in the PRC market.

Printing Business

Founder Electronics continued to help the clients for their business integration and transformation via our “all-in-one” (全能印廠) network printing intelligent production solutions, driving our transformation of business model to the provision of network and service, and continued to strengthen the market leading position of our main products. Founder DiaoLong (方正雕龍) CTP recorded steady sales growth, and Founder EagleJet (方正桀鷹) H500 played a leading position in the coding market of drug supervision code and two-dimension code. We comprehensively achieved safety transmission of primary and secondary school teaching materials through our electronic film solutions with national coverage. We solved such urgent requirements as cloud typesetting and content accuracy and consistency of publication through our digital printing cloud platform solutions, and have sought sample users. We launched K and V series EagleJet (桀鷹) inkjet printers based on the inkjet core technologies, and maintained our leading position in domestic inkjet digital printer market. Currently, Founder Electronics is expanding into package industry by getting into the area of QR code anti-counterfeiting and source-tracing firstly, where we have certain initial technological barrier in place and will keep working hard in the coming years.

Digital Media Business

By capitalizing on the historic opportunities of integration of traditional media with new media to actively drive the development of integration media overall solutions and rapidly boost industry layout, we recorded strong sales of Omni-media System for News Business (暢享全媒體新聞業務系統) and cooperated with a number of heavyweight clients, further consolidating and strengthening the Company's core competitiveness and enhancing our market share. Meanwhile, we actively promoted sales of Omni-media System for Operating Business (暢營全媒體運營業務系統) and successfully established such main clients as Guangzhou Daily (廣州日報) and Chongqing Daily (重慶日報), playing a leading position in the market. Based on our extensive practical experience in the media field and with market trend analysis and continuous technology innovation and product upgrade, the Company also launched such new systems as Client Resources Operating Platform (客戶資源運營平台), YueXiang News (悅享新聞) APP and Internet Hot News Monitoring (互聯網新聞熱點監控) based on cloud computing, large-scale data and mobile internet application, which were widely recognized in the industry. In addition, the Group conducted active industry expansion in operation of news schools and vertical industry information service field, laying a solid foundation for the sustainable and stable development of the Group.

Digital Publishing Business

News publishing industry ushered in the trend of “integration”. Founder Electronics led digital publishing technology innovation based on SMAC philosophy and created “Intelligent Publishing” (智慧出版) solution to achieve the transformation and upgrading of digital publishing industry and business model innovation, and provide such digital transformation and upgrading services as digital process upgrading, know-how service, new media application and service, O2O digital operation service and self publishing for the publishing industry, boosting the rapid development and integration of the publishing industry. “Intelligent Publishing” solution has obtained dozens of major orders from the Central Cultural Enterprise Digital Upgrading (中央文化企業數字化升級改造) project, the National Digital Composite Publishing System Project (國家數字複合出版系統工程) of the State Administration of Press, Publication, Radio, Film and Television, Jilin Publishing Group (吉林出版集團), Hubei Changjiang Publishing Group (湖北長江出版集團), Inner Mongolia Publishing Group (內蒙古出版集團) and Central China Publishing & Media Group (中原出版集團), continuing to lead the development of digital publishing industry technologies and solutions.

Digital Education Business

Founder Electronics preliminarily formed a development mechanism based on the development of educational software, characterized by development of mobile terminal interactive resources and supported by digital education and teaching service. Founder smart education solutions have been used by over 100 schools in more than 20 provinces of the PRC to conduct class interactive and mobile learning experience. Smart education solutions have won the bidding in a number of textbook development projects, such as the digital textbook development project of People’s Education Press and Beijing primary and secondary school premium curriculum resource customized purchase project. Through in-depth cooperation with publishers, we undertook the resource development, education cloud service platform development and operation service support of China Labor & Social Security Publishing House (中國勞動社會保障出版社) and the Open University of China Publishing & Media Group (國家開放大學出版傳媒集團), and strategically cooperated with educational publishers, such as Publishing House of Jinan (濟南出版社). Looking ahead, we will continue to increase research and development investment and expand our businesses, striving to become a leading educational resources development service provider and a professional digital teaching service provider in the PRC.

(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 70.4% to approximately HK\$23.9 million (six months ended 30 June 2014: HK\$80.7 million) while its segment results has recorded a loss of approximately HK\$2.0 million (six months ended 30 June 2014: profit of HK\$5.9 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, Oracle Systems and Siemon. The decrease in segment revenue were mainly due to decrease in sales of information products in the banking sector in the PRC. The decline in segment results was due to decrease 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 the PRC’s economy and its IT market. The Group will continue the development of innovative solutions and provide our customers with more cost-effective products and solutions to meet our customers’ demands for enhancing their competitiveness. In addition, the Group will closely monitor the performance of each business sector to achieve effective cost control and maximise shareholders’ value.

EMPLOYEES

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

As at 30 June 2015, the number of employees of the Group was approximately 1,212 (31 December 2014: 1,216).

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 2015, the Group had interest-bearing bank borrowings of approximately HK\$171.2 million (31 December 2014: HK\$194.1 million), of which HK\$75.7 million (31 December 2014: HK\$75.7 million) were fixed interest bearing and HK\$95.5 million (31 December 2014: HK\$118.4 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 Hong Kong under the SME Loan Guarantee Scheme, certain of the Group’s land and buildings, investment properties and bank deposits.

As at 30 June 2015, the Group recorded total assets of HK\$1,540.1 million which were financed by liabilities of HK\$617.0 million, non-controlling interests of HK\$0.3 million and equity of HK\$922.8 million. The Group’s net asset value per share as at 30 June 2015 amounted to HK\$0.77 (31 December 2014: HK\$0.80).

The Group had total cash and bank balances of HK\$491.2 million as at 30 June 2015 (31 December 2014: HK\$550.2 million). After deducting total bank borrowings of HK\$171.2 million (31 December 2014: HK\$194.1 million), the Group recorded net cash and bank balances of HK\$320.0 million as at 30 June 2015 as compared to HK\$356.1 million as at 31 December 2014. 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 2015, the Group’s gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders’ equity, was 0.19 (31 December 2014: 0.20) while the Group’s working capital ratio was 1.90 (31 December 2014: 1.81).

At 30 June 2015, the Group did not have any material capital expenditure commitments.

Treasury policies

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

Exposure to fluctuations in exchange rates and related hedges

The Group operates mainly in Hong Kong and the PRC. For the operations in Hong Kong, most of the transactions are denominated in HKD and U.S. dollars. The exchange rate of U.S. dollars against HKD is relatively stable and the related currency exchange risk is considered minimal. For the operations in Mainland China, most of the transactions are denominated in RMB. The conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange controls promulgated by the Chinese government. The Group has minimal exposure to exchange rate fluctuation. No financial instrument was used for hedging purposes. Subsequent to these interim results, the exchange rate of RMB has devalued and the Group will closely monitor the currency exchange risk of RMB in the near term of as a result.

Contracts

As at 30 June 2015, the major contracts for the software development and systems integration business amounted to approximately HK\$430.2 million (31 December 2014: HK\$351.6 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 2015.

Charges on assets

As at 30 June 2015, the Group's land and buildings in Hong Kong of approximately HK\$66.9 million and investment properties of approximately HK\$87.0 million and bank deposits of approximately HK\$9.8 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 2015. However, the Group always seeks for new investment opportunities in the software development and systems integration business to broaden the revenue and profit base of the Group and enhance shareholders' value in long term.

Contingent liabilities

As at 30 June 2015, 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 2015. 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 2015.

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 2015, 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 4 June 2015 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 2015, including the accounting principles adopted by the Group, with the Company’s management.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The 2015 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
26 August 2015

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 Liu Yu Xiao, Ms Zuo Jin and Ms Yi Mei, 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