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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 2016**

The Board of Directors (the “Board”) of Founder Holdings Limited (the “Company”) is pleased to announce the consolidated results and financial position of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2016 together with the comparative figures.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*Year ended 31 December 2016*

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
REVENUE	4	<b>1,035,410</b>	963,628
Cost of sales		<b>(611,551)</b>	(565,653)
Gross profit		<b>423,859</b>	397,975
Other income and gains	4	<b>75,810</b>	88,839
Selling and distribution expenses		<b>(246,751)</b>	(239,544)
Administrative expenses		<b>(92,113)</b>	(90,563)
Other expenses, net		<b>(109,050)</b>	(122,861)
Finance costs	5	<b>(7,570)</b>	(8,150)
Share of losses of associates		<b>(29)</b>	(166)
PROFIT BEFORE TAX	6	<b>44,156</b>	25,530
Income tax	7	<b>(3,976)</b>	(18,268)
PROFIT FOR THE YEAR		<b>40,180</b>	7,262

	<i>Notes</i>	<b>2016</b> <b>HK\$'000</b>	2015 <i>HK\$'000</i>
Attributable to:			
Owners of the parent		<b>40,235</b>	7,382
Non-controlling interests		<b>(55)</b>	(120)
		<u><b>40,180</b></u>	<u>7,262</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	8	<u><b>HK3.4 cents</b></u>	<u>HK0.6 cents</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
PROFIT FOR THE YEAR	<u>40,180</u>	<u>7,262</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income of associates	105	7
Exchange differences on translation of foreign operations	<u>(32,977)</u>	<u>(34,769)</u>
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	<u>(32,872)</u>	<u>(34,762)</u>
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Revaluation adjustment of land and buildings, net of tax	<u>(15,601)</u>	<u>47,187</u>
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	<u>(15,601)</u>	<u>47,187</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>(48,473)</u>	<u>12,425</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>(8,293)</u>	<u>19,687</u>
Attributable to:		
Owners of the parent	(8,227)	19,823
Non-controlling interests	<u>(66)</u>	<u>(136)</u>
	<u>(8,293)</u>	<u>19,687</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>316,910</b>	329,561
Investment properties		<b>102,684</b>	99,648
Investments in associates		<b>5,155</b>	5,148
Available-for-sale investments		<b>3,467</b>	6,682
Intangible assets		<b>4,084</b>	9,795
Deferred tax assets		<b>1,975</b>	1,367
Pledged deposits		<b>3,649</b>	1,791
		<hr/>	<hr/>
Total non-current assets		<b>437,924</b>	453,992
<b>CURRENT ASSETS</b>			
Inventories		<b>61,103</b>	77,281
Gross amount due from contract customers		<b>11,704</b>	27,142
Trade and bills receivables	9	<b>133,666</b>	156,093
Prepayments, deposits and other receivables		<b>319,516</b>	307,767
Equity investments at fair value through profit or loss		<b>591</b>	922
Pledged deposits		<b>13,638</b>	22,145
Cash and cash equivalents		<b>604,905</b>	612,873
Tax recoverable		<b>–</b>	276
		<hr/>	<hr/>
Total current assets		<b>1,145,123</b>	1,204,499
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	10	<b>54,464</b>	66,158
Gross amount due to contract customers		<b>21,696</b>	28,638
Other payables and accruals		<b>322,301</b>	382,637
Interest-bearing bank borrowings		<b>149,011</b>	160,190
Tax payable		<b>4,408</b>	5,052
		<hr/>	<hr/>
Total current liabilities		<b>551,880</b>	642,675
		<hr/>	<hr/>
NET CURRENT ASSETS		<b>593,243</b>	561,824
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>1,031,167</b>	1,015,816
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>58,248</b>	34,604
		<hr/>	<hr/>
Net assets		<b>972,919</b>	981,212
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital		<b>119,975</b>	119,975
Reserves		<b>852,765</b>	860,992
		<hr/>	<hr/>
		<b>972,740</b>	980,967
<b>Non-controlling interests</b>		<b>179</b>	245
		<hr/>	<hr/>
Total equity		<b>972,919</b>	981,212
		<hr/>	<hr/>

## NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2016

### 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 (“HKICPA”), 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, buildings classified as property, plant and equipment, available-for-sale investments and equity investments at fair value through profit or loss 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.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
HKFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012–2014 Cycle</i>	Amendments to a number of HKFRSs

Other than as explained below regarding the impact of the applicable standards, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

- (a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:
- (i) the materiality requirements in HKAS 1;
  - (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
  - (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
  - (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group’s financial statements.

- (b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.
- (c) *Annual Improvements to HKFRSs 2012-2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:
- *HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

### 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, systems integration and information products distribution for media business segment provides electronic publishing and printing systems and information products to media companies;
- (b) the information products distribution for non-media business segment provides information products to financial institutions, enterprises and government departments;
- (c) the corporate segment comprises corporate income and expense items; and
- (d) the “others” segment comprises principally rental income from investment properties.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group’s profit before tax except that interest income, foreign exchange differences, net, finance costs and share of 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, systems integration and information products distribution for media business		Information products distribution for non-media business		Corporate		Others		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>										
Sales to external customers	991,712	925,517	39,532	37,619	-	-	4,166	492	1,035,410	963,628
Revenue									<u>1,035,410</u>	<u>963,628</u>
<b>Segment results</b>	<b>50,483</b>	28,114	<b>187</b>	(526)	<b>(13,918)</b>	(15,862)	<b>7,255</b>	7,287	<b>44,007</b>	19,013
<i>Reconciliation:</i>										
Interest income									13,581	19,723
Foreign exchange differences, net									(5,833)	(4,890)
Finance costs									(7,570)	(8,150)
Share of losses of associates									(29)	(166)
Profit before tax									<u>44,156</u>	<u>25,530</u>
	Software development, systems integration and information products distribution for media business		Information products distribution for non-media business		Others		Total			
	2016	2015	2016	2015	2016	2015	2016	2015		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
<b>Segment assets</b>	<b>764,701</b>	820,702	<b>59,010</b>	60,706	<b>178,228</b>	181,378	<b>1,001,939</b>	1,062,786		
<i>Reconciliation:</i>										
Elimination of intersegment receivables								(47,755)	(48,301)	
Investments in associates								5,155	5,148	
Corporate and other unallocated assets								<u>623,708</u>	<u>638,858</u>	
Total assets								<u>1,583,047</u>	<u>1,658,491</u>	
<b>Segment liabilities</b>	<b>484,991</b>	540,491	<b>6,625</b>	6,615	<b>10,543</b>	10,638	<b>502,159</b>	557,744		
<i>Reconciliation:</i>										
Elimination of intersegment payables								(47,755)	(48,301)	
Corporate and other unallocated liabilities								<u>155,724</u>	<u>167,836</u>	
Total liabilities								<u>610,128</u>	<u>677,279</u>	
<b>Other segment information:</b>										
Impairment losses recognised in the statement of profit or loss	9,711	20,037	1,088	180	-	-	10,799	20,217		
Depreciation and amortisation	18,099	21,585	2,960	2,723	57	38	21,116	24,346		
Capital expenditure*	<u>3,332</u>	<u>15,374</u>	<u>12</u>	<u>43</u>	<u>1</u>	<u>255</u>	<u>3,345</u>	<u>15,672</u>		

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

## Geographical information

(a) *Revenue from external customers*

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Hong Kong	<b>44,046</b>	38,241
Mainland of the People's Republic of China ("Mainland China" or the "PRC")	<b>990,601</b>	925,250
Others	<b>763</b>	137
	<b><u>1,035,410</u></b>	<u>963,628</u>

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

(b) *Non-current assets*

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Hong Kong	<b>171,716</b>	173,325
Mainland China	<b>258,249</b>	269,388
Others	<b>7,959</b>	11,279
	<b><u>437,924</u></b>	<u>453,992</u>

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

## Information about a major customer

During the years ended 31 December 2016 and 31 December 2015, there was no revenue derived from transactions with a single external customer which individually amounted to 10% or more of the Group's revenue.



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

Revenue 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:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Revenue</b>		
Software development, systems integration and information products distribution	<b>1,031,244</b>	963,136
Others	<b>4,166</b>	492
	<b><u>1,035,410</u></b>	<b><u>963,628</u></b>
<b>Other income</b>		
Bank interest income	<b>2,849</b>	3,172
Other interest income	<b>10,732</b>	16,551
Government grants	<b>54,462</b>	59,143
Others	<b>4,291</b>	5,409
	<b><u>72,334</u></b>	<b><u>84,275</u></b>
<b>Gains</b>		
Fair value gains on investment properties	<b>3,399</b>	3,770
Fair value gains on equity investments at fair value through profit or loss	<b>–</b>	614
Gain on disposal of items of property, plant and equipment	<b>77</b>	180
	<b><u>3,476</u></b>	<b><u>4,564</u></b>
	<b><u>75,810</u></b>	<b><u>88,839</u></b>

#### 5. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest on bank loans	<b><u>7,570</u></b>	<b><u>8,150</u></b>

## 6. PROFIT BEFORE TAX

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

	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Cost of inventories sold**	<b>531,307</b>	481,917
Depreciation	<b>15,695</b>	16,779
Amortisation of patents and acquired software*	<b>3,063</b>	3,984
Minimum lease payments under operating leases	<b>15,677</b>	15,331
Impairment of trade receivables*	<b>3,309</b>	10,192
Reversal of impairment of trade receivables*	<b>(3,191)</b>	(1,583)
Impairment of other receivables*	<b>7,526</b>	5,357
Impairment of available-for-sale investments*	<b>3,155</b>	1,236
Impairment of property, plant and equipment*	–	3,342
Impairment of intangible assets*	–	1,673
Provision for obsolete inventories**	<b>5,248</b>	2,044
Research and development costs:		
Current year expenditure*	<b>89,560</b>	81,961
Amortisation of capitalised software costs*	<b>2,358</b>	3,583
Employee benefit expense (including directors' remuneration):		
Wages and salaries	<b>270,842</b>	233,723
Pension scheme contributions	<b>22,003</b>	24,722
Termination benefits	<b>12,990</b>	10,941
	<b>305,835</b>	269,386
Foreign exchange differences, net	<b>5,833</b>	4,890
Direct operating expenses (including repair and maintenance) arising on rental-earning investment properties	<b>763</b>	798
Fair value losses/(gains) on equity investments at fair value through profit or loss	<b>355</b>	(614)

\* These items are included in "Other expenses, net" in the consolidated statement of profit or loss.

\*\* These items are included in "Cost of sales" in the consolidated statement of profit or loss.

## 7. INCOME TAX

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	<b>363</b>	271
Current – Mainland China		
Charge for the year	<b>5,487</b>	5,354
Underprovision/(overprovision) in prior years	<b>1,108</b>	(315)
Other tax provision made in the current year	–	16,312
Deferred	<b>(2,982)</b>	(3,354)
	<hr/>	<hr/>
Total tax charge for the year	<b>3,976</b>	18,268
	<hr/>	<hr/>

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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 one PRC subsidiary which is entitled to a preferential tax rate at 10% and one PRC subsidiary which is entitled to a preferential tax rate at 15%. During the year ended 31 December 2015, Beijing Founder Electronics Co., Ltd., the wholly-owned subsidiary of the Company, provided corporate income tax in an aggregate amount of HK\$16,312,000 in respect of the government grants received previously. The amount was fully paid to the local tax bureau in 2015.

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\$8,000 (2015: HK\$30,000) is included in “Share of 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 the basic earnings per share amount 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 1,199,746,993 (2015: 1,199,746,993) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2016 and 2015.

## 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 aging 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:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 6 months	<b>106,662</b>	116,469
7 to 12 months	<b>8,684</b>	15,909
13 to 24 months	<b>18,320</b>	23,715
	<b><u>133,666</u></b>	<u>156,093</u>

## 10. TRADE AND BILLS PAYABLES

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

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 6 months	<b>24,425</b>	44,884
7 to 12 months	<b>10,259</b>	6,235
13 to 24 months	<b>7,620</b>	4,826
Over 24 months	<b>12,160</b>	10,213
	<b><u>54,464</u></b>	<u>66,158</u>

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 (2015: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS PERFORMANCE**

### **PERFORMANCE**

The Group reported a profit attributable to equity holders of the parent for the year ended 31 December 2016 of approximately HK\$40.2 million (year ended 31 December 2015: HK\$7.4 million). The Group's turnover for the current financial year increased by 7.4% to approximately HK\$1,035.4 million (year ended 31 December 2015: HK\$963.6 million) due to increase in sales of software products for media segment. Gross profit for the current year increased by 6.5% to HK\$423.9 million compared with last financial year's HK\$398.0 million. Gross profit ratio was maintained at around 41% for the current financial year.

The significant 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. increase in the revenue by 7.4% to HK\$1,035.4 million (year ended 31 December 2015: HK\$963.6 million) as a result of increase in sales of software products; and
- b. decrease in tax from approximately HK\$18.3 million to HK\$4.0 million as a result of other tax provision made in prior financial year in respect of the government grants received.

Basic and diluted earnings per share attributable to equity holders of the parent for the year was HK3.4 cents (year ended 31 December 2015: HK0.6 cents).

## **OPERATING REVIEW AND PROSPECTS**

### **(A) Software development, systems integration and information products distribution for media business ("Media Business")**

#### *Font Library Business*

The turnover of the Media Business for the current financial year increased by 7.2% to approximately HK\$991.7 million (year ended 31 December 2015: HK\$925.5 million). The segment results recorded a profit of approximately HK\$50.5 million (year ended 31 December 2015: HK\$28.1 million). The improvement of segment results was due to increase in revenue for the current financial year.

In 2016, against the backdrop of a booming cultural market driven by government policies, the demands for font application has expanded with gradual improvement in the copyright environment. The font library market, especially the corporate font library market, has become the market segment with the highest business revenue and continued to grow rapidly. Meanwhile, competition in the industry is getting more intense as many companies and individual participants had entered into the font library market.

In 2016, Beijing Founder Electronics Co., Ltd. (“Founder Electronics”), the wholly-owned subsidiary of the Company, continued to strengthen its absolute leading position in the font library market and has become a professional font manufacturer that offers exquisite and high quality products with the largest number of font types and the widest product coverage.

- 1) Strive to obtain intellectual property rights of font libraries and ensure steady growth of licensing business: three more lawsuits in Hangzhou, Shandong and Shenyang were ruled in favour of us; and a new class action lawsuit involving 80 companies was filed in Nanjing. We also actively participated in intellectual property rights forums to strengthen our promotion targeting the legal sector, with a view to gain additional support from judges, lawyers and experts. We also cooperated with organizations such as the Intellectual Property Rights Salon (知識產權沙龍) and established relationship with the chief legal officers of various enterprises to expand our collaboration scope.
- 2) Promote e-commerce, launch new products and implement price adjustment: we participated in industrial trade fairs to expand our user base in the industry and retained loyal existing users with the introduction of new fonts and new solutions. We also strengthened our exchange and collaboration with key companies such as Apple, Microsoft, Tencent, Huawei, Xiaomi, etc. to enhance our market influence. The pricing system and font categorization are also enhanced to expand our customer base with more economical prices.
- 3) Step up the efforts in developing B2B internet to create an online operating platform for font library copyrights, while expanding from large to medium enterprises towards medium to small enterprises to boost positive sales: we have established an exchange and sharing community featuring font library resources, designers’ choices, active purchase, bonus rebate and e-commerce services.

### *Printing business*

The printing business is entering into a phase of mid- to slow-paced development. The output value of the entire industry grew at a sluggish rate and the yield rate dropped significantly. In order to cope with the problem of over-capacity, market consolidation by phasing out the underperformed is simply inevitable. However, this also brought about unprecedented business opportunities: the internet of things fueled the rapid development of intelligent packaging market and gradual promoted personalized consumption needs, which will provide new market opportunities to the printing industry.

In 2016, Founder Electronics continued to refine its comprehensive solution for traditional printing, digital printing and inkjet printing with an aim to provide the printing industry with perfect “all-in-one” (全能印廠) solutions, which will help printing corporations to realise industrial upgrade in the mobile internet era. This also facilitated the continued transformation of its business model towards service-oriented and established its leading position in terms of market share and technological guidance.

Founder Electronics' existing CTP printing, digital printing and variable data printing businesses maintained stable performance. In particular, the Company holds more than 60% of the market share and therefore played a leading position in the variable data printing market. It also successfully secured orders from all leading enterprises in the soft packaging market and achieved breakthroughs in new horizons such as the printing metal industry.

Meanwhile, Founder Electronics focused on investing in and developing new businesses such as POD and “unique code for every book (一冊一碼)”, so as to capture the future growth opportunities in the inkjet printing market.

### *Media Business*

The traditional newspaper and publication industry recorded a decline in overall results with the newspaper advertising revenue in free fall over the last few years. However, the government's policies were still favourable to mainstream media. With media integration, customers longed for and relied on new technologies such as mobile internet, cloud computing and large-scale data in order to achieve business transformation and upgrade.

Against this backdrop, Founder Electronics actively built up a large-scale data structure and analyzed and applied the technology towards developing new solutions and platforms, including the Omnimedia solution, new media solution, media large-scale data platform, service platform of public sentiment and Intelligent Publishing (智慧出版) solution. All of which has helped to promote media integration and transformation and upgrading towards digital publishing industry, and thus enabled Founder Electronics to secure a leading position in the market and thereby laying a solid foundation for sustainable development in the future.

### *Internet Information Business*

Amidst the rapid development of informationisation in fields of economy, politics, culture and society, there is huge demand for information services. The industry is now moving from the era of information blocking, deletion and barrier to an era of positive energy sharing, which is all about how to utilize public sentiment information to one's advantages. This will, in particular, provide ample rooms for the growth of the network security market. Founder Electronics capitalized on the internet large-scale data analysis technology with proprietary intellectual property rights to develop featured technologies with high data volume, speed and variety, comprehensive analysis and user-friendly application, forming an internet large-scale data resolution oriented to various fields. In particular, we undertook various large-scale construction projects from the government in the network security and information security industry and were highly praised among national industry experts. Meanwhile, we developed a mature lightweight product based on our traditional technology and established the information service model for cloud platform, through which software users can access large-scale data without employing any hardware or equipment.

## **(B) Information products distribution for non-media business (“Non-Media Business”)**

The turnover of the Non-Media Business for the current financial year increased slightly by 5.1% to approximately HK\$39.5 million (year ended 31 December 2015: HK\$37.6 million) while its segment results has recorded a profit of approximately HK\$0.2 million (year ended 31 December 2015: loss of HK\$0.5 million). The major products provided under the Non-Media Business include various information products such as servers, storage devices and workstations of a number of internationally known and branded information products manufacturers such as HP, Hitachi, Oracle Systems and Siemon.

## **PROSPECTS**

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

## **EMPLOYEES**

The Group has developed its human resources policies and procedures based on performance and merit. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance-related basis within the general framework of the Group’s salary and bonus systems. The Group provides on-the-job training to its employees in addition to retirement benefit schemes and medical insurance. The Group operates share option scheme for the purpose of providing incentives and rewards to eligible directors and employees of the Group who contribute to the success of the Group’s operations. The Group had not granted any share options to its eligible directors and employees during the current financial year.

As at 31 December 2016, the number of employees of the Group was approximately 1,163 (31 December 2015: 1,171).



## 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 2016, the Group had interest-bearing bank borrowings of approximately HK\$149.0 million (31 December 2015: HK\$160.2 million), of which HK\$78.8 million (31 December 2015: HK\$96.6 million) were fixed interest bearing and HK\$70.2 million (31 December 2015: HK\$63.6 million) were floating interest bearing. The bank borrowings were denominated in Hong Kong Dollars (“HKD”), Renminbi (“RMB”) and United States Dollars (“U.S. dollars”), and were repayable within one year. The Group’s banking facilities were secured by corporate guarantees given by the Company, 北大方正集團有限公司 (Peking University Founder Group Company Limited\*) (“Peking Founder”) (a substantial shareholder of the Company), PKU Founder Group Finance Co., Ltd. (a subsidiary of Peking Founder), certain of the Group’s land and buildings, investment properties and bank deposits.

At 31 December 2016, the Group recorded total assets of HK\$1,583.1 million which were financed by liabilities of HK\$610.1 million, non-controlling interests of HK\$0.2 million and equity of HK\$972.8 million. The Group’s net asset value per share as at 31 December 2016 amounted to HK\$0.81 (31 December 2015: HK\$0.82). The Group had total cash and bank balances of HK\$618.5 million as at 31 December 2016 (31 December 2015: HK\$636.8 million). After deducting total bank borrowings of HK\$149.0 million (31 December 2015: HK\$160.2 million), the Group recorded net cash and bank balances of HK\$469.5 million as at 31 December 2016 as compared to HK\$476.6 million as at 31 December 2015. The Group’s borrowings, which are subject to little seasonality, consist of mainly short term bank loans and trust receipt loans. As at 31 December 2016, the Group’s gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders’ equity, was 0.15 (31 December 2015: 0.16) while the Group’s working capital ratio was 2.07 (31 December 2015: 1.87).

At 31 December 2016, the Group did not have any material capital expenditure commitments.

### Treasury policies

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

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

The Group operates mainly in Hong Kong and the PRC. For the operations in Hong Kong, most of the transactions are denominated in HKD and U.S. dollars. The exchange rate of U.S. dollars against HKD is relatively stable and the related currency exchange risk is considered minimal. For the operations in the PRC, 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. During the current financial year, the exchange rate of RMB has devalued and the Group will closely monitor the currency exchange risk of RMB in the near term as a result.

## **Contracts**

At 31 December 2016, the major contracts in hand for the software development and systems integration business amounted to approximately HK\$393.0 million (31 December 2015: HK\$426.8 million), which are all expected to be completed within one year's time.

## **Material acquisitions and disposals of subsidiaries, associates and joint ventures**

The Group had no material acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2016.

## **Charges on assets**

At 31 December 2016, the Group's land and buildings in Hong Kong of approximately HK\$69.0 million and investment properties of approximately HK\$94.5 million and bank deposits of approximately HK\$17.3 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 2016. However, the Group always seeks for new investment opportunities in the software development and systems integration business to broaden the revenue and profit base of the Group and enhance shareholders' value in long term.

## **Contingent liabilities**

At 31 December 2016, 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 2016.

## **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, 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 2016.

## **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 2016.

## **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.

## **SCOPE OF WORK OF ERNST & YOUNG ON THE PRELIMINARY ANNOUNCEMENT**

The figures in respect of the preliminary announcement of the Group’s results from the year ended 31 December 2016 have been agreed by the Group’s auditors, Ernst & Young, to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

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

The 2016 annual report of the Company containing all the information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders of the Company and published on The Hong Kong Exchanges and Clearing Limited’s website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company’s website ([www.irasia.com/listco/hk/founder](http://www.irasia.com/listco/hk/founder)) in due course.

By Order of the Board  
**Founder Holdings Limited**  
**Cheung Shuen Lung**  
*Chairman*

Hong Kong, 24 March 2017

*As at the date of this announcement, the board of directors of the Company comprises executive directors of Mr Cheung Shuen Lung (Chairman), Mr Shao Xing (President), Ms Zuo Jin, Mr Hu Bin, Mr Cui Yun Tao and Ms Liao Hang, 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*