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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 2017**

**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 2017, together with the comparative figures for the corresponding period in 2016. 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 2017*

		<b>For the six months ended 30 June</b>	
		<b>2017</b>	2016
	<i>NOTES</i>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>HK\$’000</b>	<b>HK\$’000</b>
<b>REVENUE</b>	2	<b>364,064</b>	415,387
Cost of sales		<b>(216,177)</b>	(254,969)
Gross profit		<b>147,887</b>	160,418
Other income and gains	3	<b>36,976</b>	33,195
Selling and distribution expenses		<b>(93,353)</b>	(113,425)
Administrative expenses		<b>(28,324)</b>	(33,648)
Other expenses, net		<b>(57,275)</b>	(40,111)
Finance costs	4	<b>(3,135)</b>	(3,866)
Share of losses of associates		<b>(320)</b>	(40)

		<b>For the six months ended 30 June</b>	
	<i>NOTES</i>	<b>2017 (Unaudited) HK\$'000</b>	<b>2016 (Unaudited) HK\$'000</b>
<b>PROFIT BEFORE TAX</b>	5	<b>2,456</b>	2,523
Income tax	6	<u>(1,016)</u>	<u>(4,687)</u>
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b><u>1,440</u></b>	<b><u>(2,164)</u></b>
<b>Attributable to:</b>			
Owners of the parent		<b>1,442</b>	(2,113)
Non-controlling interests		<u>(2)</u>	<u>(51)</u>
		<b><u>1,440</u></b>	<b><u>(2,164)</u></b>
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	7		
– Basic and diluted		<b><u>HK0.12 cents</u></b>	<b><u>HK(0.18) cents</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>1,440</b>	<b>(2,164)</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Change in fair value of available-for-sale investment	4,262	–
Share of other comprehensive income of associates	575	79
Exchange differences on translation of foreign operations	14,687	(8,565)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	19,524	(8,486)
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX</b>	<b>19,524</b>	<b>(8,486)</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>	<b>20,964</b>	<b>(10,650)</b>
<b>Attributable to:</b>		
Owners of the parent	20,963	(10,597)
Non-controlling interests	1	(53)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>	<b>20,964</b>	<b>(10,650)</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2017

		<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>320,074</b>	316,910
Investment properties		<b>102,834</b>	102,684
Investment in associates		<b>3,402</b>	5,155
Available-for-sale investment		<b>7,956</b>	3,467
Intangible assets	8	<b>380</b>	4,084
Deferred tax asset		<b>1,463</b>	1,975
Pledged deposit		<b>4,556</b>	3,649
		<hr/>	<hr/>
Total non-current assets		<b>440,665</b>	437,924
<b>CURRENT ASSETS</b>			
Inventories		<b>77,946</b>	61,103
Gross amount due from contract customers		<b>18,724</b>	11,704
Trade and bills receivables	9	<b>122,421</b>	133,666
Prepayments, deposits and other receivables		<b>512,569</b>	319,516
Equity investments at fair value through profit or loss		<b>1,028</b>	591
Pledged deposits		<b>14,432</b>	13,638
Cash and cash equivalents		<b>328,063</b>	604,905
		<hr/>	<hr/>
Total current assets		<b>1,075,183</b>	1,145,123
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	10	<b>49,504</b>	54,464
Gross amount due to contract customers		<b>14,013</b>	21,696
Other payables and accruals		<b>244,363</b>	322,301
Interest-bearing bank borrowings		<b>155,400</b>	149,011
Tax payable		<b>1,522</b>	4,408
		<hr/>	<hr/>
Total current liabilities		<b>464,802</b>	551,880
<b>NET CURRENT ASSETS</b>		<b>610,381</b>	593,243
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,051,046</b>	1,031,167
		<hr/>	<hr/>

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	<u>57,163</u>	<u>58,248</u>
Net assets	<u><b>993,883</b></u>	<u>972,919</u>
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Issued capital	119,975	119,975
Reserves	<u>873,728</u>	<u>852,765</u>
	<b>993,703</b>	972,740
Non-controlling interests	<u>180</u>	<u>179</u>
Total equity	<u><b>993,883</b></u>	<u>972,919</u>

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 30 June 2017

### 1. ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2017 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The unaudited condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all HKFRSs, HKASs and Interpretations).

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial statements are the same as those used in the annual consolidated financial statements for the year ended 31 December 2016, except in relation to the following new and revised Hong Kong Financial Reporting Standards that affect the Group and are adopted for the first time for the current period’s financial statements:

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
<i>Annual Improvements 2012–2014 Cycle</i>	<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 2017 and 2016:

	Software development, systems integration and information products distribution for media business		Information products distribution for non-media business		Corporate		Others		Total	
	2017 (Unaudited) HK\$’000	2016 (Unaudited) HK\$’000	2017 (Unaudited) HK\$’000	2016 (Unaudited) HK\$’000	2017 (Unaudited) HK\$’000	2016 (Unaudited) HK\$’000	2017 (Unaudited) HK\$’000	2016 (Unaudited) HK\$’000	2017 (Unaudited) HK\$’000	2016 (Unaudited) HK\$’000
<b>Segment revenue:</b>										
Sales to external customers	361,837	410,580	-	4,537	-	-	2,227	270	364,064	415,387
<b>Segment results</b>	(954)	6,048	(4)	18	(6,574)	(4,348)	2,172	183	(5,360)	1,901
<b>Reconciliation:</b>										
Interest income									9,744	6,635
Foreign exchange differences, net									1,527	(2,107)
Finance costs									(3,135)	(3,866)
Share of losses of associates									(320)	(40)
Profit before tax									<u>2,456</u>	<u>2,523</u>

### 3. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2017	2016
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Bank interest income	1,302	1,559
Other interest income	8,442	5,076
Government grants	17,523	22,623
Fair value gain on equity investments at fair value through profit or loss	376	–
Gain on disposal of items of property, plant and equipment	20	63
Gain on transfer of intangible assets	6,636	–
Foreign exchange differences, net	1,527	–
Others	1,150	3,874
	<u>36,976</u>	<u>33,195</u>

### 4. FINANCE COSTS

	For the six months ended 30 June	
	2017	2016
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest on bank loans	3,135	3,866

### 5. PROFIT BEFORE TAX

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

	NOTE	For the six months ended 30 June	
		2017	2016
		(Unaudited) HK\$'000	(Unaudited) HK\$'000
Cost of inventories sold		178,960	212,744
Depreciation		7,463	8,942
Amortisation of intangible assets	8	1,744	2,855
(Reversal of impairment)/impairment of trade receivables		(480)	52
(Reversal of impairment)/impairment of other receivables		(1,679)	3,832
Impairment of available-for-sale investment		–	2,899
Fair value (gain)/loss on equity investment at fair value through profit or loss		(376)	326
Provision for obsolete inventories		5,561	4,114
Foreign exchange differences, net		(1,527)	2,107

## 6. INCOME TAX

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Current – Hong Kong		
Charge for the period	286	–
Current – Mainland China		
Charge for the period	705	3,857
Underprovision in prior year	1,849	1,145
Deferred	(1,824)	(315)
	<hr/>	<hr/>
Total tax charge for the period	<b>1,016</b>	<b>4,687</b>

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 2016: 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 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%.

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

## 7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the unaudited profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of approximately 1,199,747,000 (six months ended 30 June 2016: 1,199,747,000) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2017 and 2016.



## 8. INTANGIBLE ASSETS

	<i>NOTE</i>	<b>Patents and acquired software (Unaudited) HK\$'000</b>	<b>Development expenditure on media software (Unaudited) HK\$'000</b>	<b>Total (Unaudited) HK\$'000</b>
<b>30 June 2017</b>				
Cost at 1 January 2017, net of accumulated amortisation and impairment		2,971	1,113	4,084
Amortisation provided during the period	5	(993)	(751)	(1,744)
Transfer of intangible assets		(2,035)	–	(2,035)
Exchange realignment		57	18	75
At 30 June 2017		<u>–</u>	<u>380</u>	<u>380</u>
At 30 June 2017:				
Cost		2,292	10,349	12,641
Accumulated amortisation and impairment		<u>(2,292)</u>	<u>(9,969)</u>	<u>(12,261)</u>
Net carrying amount		<u>–</u>	<u>380</u>	<u>380</u>
<b>30 June 2016</b>				
Cost at 1 January 2016, net of accumulated amortisation and impairment		6,233	3,562	9,795
Amortisation provided during the period	5	(1,555)	(1,300)	(2,855)
Exchange realignment		(64)	(30)	(94)
At 30 June 2016		<u>4,614</u>	<u>2,232</u>	<u>6,846</u>
At 30 June 2016:				
Cost		11,503	10,502	22,005
Accumulated amortisation and impairment		<u>(6,889)</u>	<u>(8,270)</u>	<u>(15,159)</u>
Net carrying amount		<u>4,614</u>	<u>2,232</u>	<u>6,846</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 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>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Within 6 months	<b>88,038</b>	106,662
7 to 12 months	<b>14,757</b>	8,684
13 to 24 months	<b>9,734</b>	8,653
Over 24 months	<b>9,892</b>	9,667
	<b>122,421</b>	133,666

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\$14,677,000 (31 December 2016: HK\$14,535,000), which are repayable on similar credit terms to those offered to the major customers of the Group.

## 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>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Within 6 months	<b>35,373</b>	24,425
7 to 12 months	<b>4,546</b>	10,259
13 to 24 months	<b>191</b>	7,620
Over 24 months	<b>9,394</b>	12,160
	<b>49,504</b>	54,464

Included in the Group's trade and bills payables are amounts due to subsidiaries of Peking Founder of approximately HK\$906,000 (31 December 2016: HK\$935,000), 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 2017 (six months ended 30 June 2016: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Overall Performance**

The Group reported an unaudited consolidated profit attributable to owners of the parent for the six months ended 30 June 2017 of approximately HK\$1.4 million (six months ended 30 June 2016: loss of HK\$2.1 million). The Group's turnover for the current interim period decreased by 12.4% to approximately HK\$364.1 million (six months ended 30 June 2016: HK\$415.4 million) due to decrease in sales of systems integration for media segment. Gross profit for the current interim period decreased by 7.8% to approximately HK\$147.9 million (six months ended 30 June 2016: HK\$160.4 million). Gross profit ratio increased from 38.6% for the last interim period to 40.6% for the current interim period as a result 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 current interim period attributable to the equity holders of the parent was mainly due to the net effect of:

- a. a decrease in the gross profit by 7.8% to approximately HK\$147.9 million (six months ended 30 June 2016: HK\$160.4 million);
- b. an increase in other income and gains by 11.4% to approximately HK\$37.0 million (six months ended 30 June 2016: HK\$33.2 million) as a result of gain on disposal of intellectual property rights of approximately HK\$6.6 million;
- c. a decrease in total selling and distribution expenses, administrative expenses and other expenses, net by 4.4% to approximately HK\$179.0 million (six months ended 30 June 2016: HK\$187.2 million) as a result of strict control on expenses imposed by the management under the competitive operating environment; and
- d. a decrease in tax by approximately HK\$3.7 million to approximately HK\$1.0 million (six month ended 30 June 2016: HK\$4.7 million) as a result of decrease in taxable profit of certain subsidiaries.

Basic and diluted earnings per share attributable to equity holders of the parent for the six months ended 30 June 2017 were HK0.12 cents (six months ended 30 June 2016: loss of HK0.18 cents).

## Operating Review and Prospects

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

The turnover of the Media Business of the Group for the current interim period decreased by 11.9% to approximately HK\$361.8 million (six months ended 30 June 2016: HK\$410.6 million). The segment results recorded a loss of approximately HK\$1.0 million (six months ended 30 June 2016: profit of HK\$6.0 million). The gross profit ratio for the Media Business for the current interim period increased slightly to 40.3% (six months ended 30 June 2016: 39.0%). The decline in segment results was due to decrease in segment revenue as a result of delay in completion of certain sales contracts.

#### *Font Library Business*

Against the backdrop of the government’s vigorous promotion of the cultural market and digital creative industry, the font library, as a culture carrier, has been receiving wider recognition, and the increasing demand for personalized fonts in the design community has created a “font fever” in the market. With gradual improvement in the copyright environment in China, enterprises and individuals in developed coastal areas have developed a strong awareness of copyright issues, but there are still different opinions regarding the marketing model of fonts in the legal sector and society. Meanwhile, the competition in the industry has intensified with the influx of new font design companies and individual font designers into the font library market.

In the first half of 2017, Beijing Founder Electronics Co., Ltd. (“Founder Electronics”), the wholly-owned subsidiary of the Company, continued to consolidate its absolute leading position in the font library market by introducing new fonts that leads new trend in the font industry.

- 1) Legal aspect: we attempted to handle the lawsuits in Nanjing in a class action mode and effectively handled 32 cases, under which we have had real contact with 27 defendants. As at 30 June 2017, a total of 20 cases have been completely settled.
- 2) Marketing and promotion aspect: Founder Electronics has stepped up its efforts in promoting positive publicity by establishing cooperation relationship with designers, studios and advertising companies, and introducing its fonts to advertisers through design proposals. It also explored the online shop market by enhancing the cooperation and interaction with design websites. Moreover, Founder Electronics further cooperated with software, hardware and game manufacturers to launch more creative display fonts and personalized fonts. With the introduction of the font library community, Founder Electronics was able to enhance its interaction with font lovers, customers and designers, thereby achieving seamless connection between Web-Mobile-PC products.

- 3) Font production aspect: In addition to the establishment of its own exquisite font library, Founder Electronics also strengthened its external cooperation to join hands with independent font designers, medium-to-small font library manufacturers and other manufacturers in Hong Kong, Taiwan, Japan and English-speaking countries with a view to introducing new fonts in a faster and more efficient manner.

### *Printing business*

The printing industry has entered into a period of deep adjustment, during which the problem of over-capacity throughout the industry, environmental protection requirements and rise in paper prices have resulted in a significant decrease in yield rate of printing corporations. In addition, in light of the saturated CTP market and uncertainties in the digital printing market, equipment manufacturers have switched the focus of their competition in the packaging market.

Despite the adverse market environment, Beijing Founder EasiPrint Digital Technology Co., Ltd. (“Founder EasiPrint”), the wholly-owned subsidiary of the Company, still maintained moderate business growth with the orders signed in respect of P series inkjet printers accounted for more than 80% of the overall market in the first half of 2017, ranking No.1 in the industry. Besides, the highly adaptive and cost-effective models launched by Founder EasiPrint have become the market benchmark for the industry.

In 2017, Founder EasiPrint focused on investing in and developing the POD project with an aim to achieve industry upgrade through the application of inkjet technology. It also replaced bulk-printing by on-demand printing, and made improvement in various stages from design, publishing, production, logistics to issuance with the help of internet and software technology to cater for the need of on-demand printing. In the first half of 2017, Founder EasiPrint had extensive communication and exchange with domestic and foreign equipment manufacturers, ancillary equipment manufacturers and consumables manufacturers, and reached cooperation intent with certain upstream and downstream enterprises. Furthermore, the construction of a POD testing center in Beijing has been completed. The first POD equipment for library printing has been delivered to the center and has now proceeded with installation and testing.

### *Media Business*

The traditional newspaper and publication industry remained subdued, recording a decline in overall results with the newspaper advertising revenue in free fall over the last few years. Meanwhile, with the top-down requirements such as the policies emphasizing the development of mainstream media, the comprehensive integration of media in the newspaper industry, the strategy to take mobile media as priority, the breakthrough in terms of reform of collecting, editing and publishing as well as the implementation of the “centralized kitchen (中央廚房)” leading project, and under the government’s vigorous promotion of policies in the publishing areas such as “Demonstration of Application Service in the Industrialization of Digital Publication (數字出版產業化應用服務示

範工程)”, “Promotion of Nationwide Digital Reading (全民數字閱讀推廣工程)” and “Promotion of Digital Publication in respect of Ethnic Group Culture (少數民族文化數字出版促進工程)”, the media business has embraced new market opportunities.

Against this backdrop, Founder Electronics actively worked on the structure, analysis and application technologies of large-scale data. The “One Platform and Four Systems” was thus rearranged, including the management platform of large-scale data from the integrated media, command system for news reporting, intelligent management system for decision-making and operation management system. Meanwhile, Founder Electronics actively explored the SaaS service by launching Xinkong Cloud, media platform and media service for large-scale data, extending its service from solutions of software products to data service and SaaS service, with a view to laying a solid foundation for sustainable development in the future.

In respect of sales, Founder Electronics actively sought for cooperation with leading companies in the media publishing field, exerting all efforts in expanding its market share in the fields of new media, pan-media and pan-publishing. Meanwhile, it maintained its strengths in the establishment of platforms for integrated media in the newspaper industry in provinces as well as in provincial capitals and cities, securing projects from tenders of Liaoning Daily, Chengdu Daily and Guangzhou Daily with values over RMB10 million.

#### *Internet Information Business*

Leveraging on the technologies, data and experience accumulated in over 10 years, the internet information business of Founder Electronics kept abreast of the national economic development in key cities and contributed to the economic strategy of “One Belt One Road”, which provided support to relevant state authorities in respect of decision-making through the overall solution of “knowledge base” and data analysis capability. Focusing on the understanding of industry features together with results of scientific research carried out by Institute of Computer Science and Technology of Peking University, the internet information business gradually won the competition of knowledge base, thereby laying a foundation for its business development.

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

The turnover of the Non-Media Business of the Group for the current interim period was nil (six months ended 30 June 2016: HK\$4.5 million) while its segment results has recorded a loss of approximately HK\$4,000 (six months ended 30 June 2016: profit of HK\$18,000). The decrease in segment revenue were mainly due to decrease in sales of information products in the banking sector in the PRC.

## **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 interim period.

As at 30 June 2017, the number of employees of the Group was approximately 1,178 (31 December 2016: 1,163).

## **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 2017, the Group had interest-bearing bank borrowings of approximately HK\$155.4 million (31 December 2016: HK\$149.0 million), of which HK\$115.4 million (31 December 2016: HK\$106.4 million) were fixed interest bearing and HK\$40 million (31 December 2016: HK\$42.6 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.

As at 30 June 2017, the Group recorded total assets of HK\$1,515.8 million which were financed by liabilities of HK\$521.9 million, non-controlling interests of HK\$0.2 million and equity of HK\$993.7 million. The Group's net asset value per share as at 30 June 2017 amounted to HK\$0.83 (31 December 2016: HK\$0.81).

The Group had total cash and bank balances of HK\$347.1 million as at 30 June 2017 (31 December 2016: HK\$622.2 million). After deducting total bank borrowings of HK\$155.4 million (31 December 2016: HK\$149.0 million), the Group recorded net cash and bank balances of HK\$191.7 million as at 30 June 2017 as compared to HK\$473.2 million as at 31 December 2016. 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 2017, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders' equity, was 0.16 (31 December 2016: 0.15) while the Group's working capital ratio was 2.31 (31 December 2016: 2.07).

As at 30 June 2017, 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. The Group will closely monitor the currency exchange risk of RMB in the near term as a result.



## **Contracts**

As at 30 June 2017, the major contracts for the software development and systems integration business amounted to approximately HK\$404.5 million (31 December 2016: HK\$512.8 million), which are all expected to be completed within one year 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 six months ended 30 June 2017.

## **Charges on assets**

As at 30 June 2017, the Group's land and buildings in Hong Kong of approximately HK\$67.8 million and investment properties of approximately HK\$94.5 million and bank deposits of approximately HK\$19.0 million were pledged to banks to secure banking facilities granted.

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

The Group did not have any concrete future plans for material investments or capital assets as at 30 June 2017. 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 2017, the Group did not have any significant contingent liabilities.

## **CORPORATE GOVERNANCE**

The Company has complied with all code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2017.

## **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 2017, including the accounting principles adopted by the Group, with the Company's management.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

The 2017 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](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  
30 August 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 Chan Chung Kik, Lewis.*

\* *For identification purpose only*