FOUNDER HOLDINGS LIMITED
方正控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code : 0418)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

The board of directors (the "Board") of Founder Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim financial results and financial position of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2007, together with the comparative figures for the corresponding period in 2006. The condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2007	2006
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*2*	**279,879**	1,407,731
Cost of sales		**(210,372)**	(1,271,916)
Gross profit		**69,507**	135,815
Other income and gains	*3*	**18,777**	17,354
Selling and distribution costs		**(75,215)**	(97,096)
Administrative expenses		**(40,809)**	(54,485)
Other expenses, net		**(27,151)**	(32,605)
Finance costs	*4*	**(121)**	(1,070)
Share of profits and losses of associates		**3,928**	6,090
LOSS BEFORE TAX	*5*	**(51,084)**	(25,997)
Tax	*6*	**(64)**	(1,134)
LOSS FOR THE PERIOD		**(51,148)**	(27,131)
Attributable to:			
Equity holders of the parent		**(51,193)**	(32,634)
Minority interests		**45**	5,503
		(51,148)	(27,131)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT – Basic	*7*	**(4.56 cents)**	(2.90 cents)

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**30 June 2007 (Unaudited)** *HK$'000*	31 December 2006 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**71,294**	67,769
Intangible assets		**5,859**	–
Investment properties		**25,360**	25,360
Interests in associates		**104,279**	95,446
Total non-current assets		**206,792**	188,575
CURRENT ASSETS			
Inventories		**26,004**	34,609
Systems integration contracts		**101,980**	70,735
Trade and bills receivables	*8*	**137,462**	181,022
Prepayments, deposits and other receivables		**57,296**	49,087
Equity investments at fair value through profit or loss		**2,868**	2,350
Pledged deposits		**40,273**	35,581
Cash and cash equivalents		**190,229**	230,057
Total current assets		**556,112**	603,441
CURRENT LIABILITIES			
Trade and bills payables	*9*	**106,539**	95,295
Other payables and accruals		**280,627**	287,836
Interest-bearing bank and other borrowings		**10,624**	–
Tax payable		**64**	4
Total current liabilities		**397,854**	383,135
NET CURRENT ASSETS		**158,258**	220,306
Net assets		**365,050**	408,881
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**112,380**	112,380
Reserves		**246,976**	290,913
		359,356	403,293
Minority interests		**5,694**	5,588
Total equity		**365,050**	408,881

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are 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 2006, 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:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 *Financial Reporting in Hyperinflationary Economies*
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of the new and revised HKFRSs has had no material impact on the accounting policies of the Group and the method of computation in the Group's condensed consolidated interim financial statements.

2. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments.

The following table presents revenue and results for the Group's primary segments for the six months ended 30 June 2007 and 2006.

	Software development and systems integration for media business		Software development and systems integration for non-media business		Distribution of information products		Corporate		Others		Eliminations		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:														
Sales to external customers	168,311	175,864	108,821	109,444	–	1,118,088	–	–	2,747	4,335	–	–	279,879	1,407,731
Intersegment sales	–	–	–	–	–	39,106	–	–	–	–	–	(39,106)	–	–
Total	168,311	175,864	108,821	109,444	–	1,157,194	–	–	2,747	4,335	–	(39,106)	279,879	1,407,731
Segments results	(36,927)	(31,586)	(14,267)	(2,615)	–	8,788	(5,598)	(7,842)	92	574			(56,700)	(32,681)
Interest income													1,809	1,664
Finance costs													(121)	(1,070)
Share of profits and losses of associates													3,928	6,090
Loss before tax													(51,084)	(25,997)
Tax													(64)	(1,134)
Loss for the period													(51,148)	(27,131)

Turnover and operating results for the six months ended 30 June 2006 also include that of EC-Founder (Holdings) Company Limited ("EC-Founder"), the then subsidiary of the Group.

On 31 July 2006, the Group's interest in EC-Founder decreased to below 50% and then becomes an associated company of the Group. The results of EC-Founder was consolidated into the income statement of the Group up to the date of partial disposal and was equity accounted for thereafter.

3. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**1,809**	1,664
Gross rental income	**623**	505
Government grants	**14,438**	8,630
Revaluation surplus on land and buildings	**–**	2,419
Fair value gains on investment properties	**–**	1,630
Others	**1,907**	2,506
	18,777	17,354

4. FINANCE COSTS

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**121**	1,034
Interest on finance lease	**–**	36
	121	1,070

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**6,500**	6,303
Loss on disposal of items of property, plant and equipment	**14**	26
Impairment of trade and other receivables	**2,857**	9,284
Provision and write-off of obsolete inventories	**4,135**	1,997

6. TAX

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong	**–**	9
Current – Elsewhere	**64**	1,125
Total tax charge for the period	**64**	1,134

No provision for Hong Kong profits tax has been made for the period as the relevant subsidiaries either did not generate any assessable profits arising in Hong Kong or have available tax losses brought forward from prior periods to offset the assessable profits generated during the period. Hong Kong profits tax had been provided at a rate of 17.5% on the estimated assessable profits arising in Hong Kong during prior period.

Taxes on overseas profits have been calculated at the applicable rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

北京方正阿帕比技術有限公司 (Beijing Founder Apabi Technology Co., Ltd.) ("PRC Apabi"), a wholly owned subsidiary of the Group in the People's Republic of China (the "PRC"), is exempted from PRC corporate income tax for the three fiscal years which commenced in 2006 and ending on 31 December 2008, and thereafter, is taxed at 50% of its standard tax rate in the fourth to sixth years, inclusive. At present, the standard tax rate applicable to PRC Apabi is 15%. No provision for PRC corporate income tax has been made for the period as the relevant PRC subsidiaries were either under their tax exemption period or had sufficient tax losses brought forward to offset against the assessable profits arising during the period. The PRC corporate income tax provision in respect of operations in the PRC was calculated at the applicable tax rates on the estimated assessable profits for prior period based on existing legislation, interpretations and practices in respect thereof.

On 16 March 2007, the National People's Congress approved the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law"), which will become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. Detailed implementation and administrative requirements relating to the New Corporate Income Tax Law have not yet been announced. These detailed requirements include regulations concerning the computation of taxable income, as well as specific preferential tax treatments and their transitional provisions. The Group will further evaluate the impact of the New Corporate Income Tax Law on its operating results and financial position of future periods as more detailed requirements are issued.

The share of tax attributable to associates amounting to approximately HK$979,000 (2006: HK$751,000) is included in "Share of profits and losses of associates" on the face of the condensed consolidated income statement.

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 equity holders of the parent of approximately HK$51,193,000 (2006: HK$32,634,000), and the weighted average number of approximately 1,123,800,000 (2006: 1,123,800,000) ordinary shares in issue during the period.

Diluted loss per share for the six months ended 30 June 2007 and 2006 have not been disclosed as the impact of the outstanding share options did not have a dilutive effect for both periods presented.

8. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Trade and bills receivables are settled in accordance with the terms of the respective contracts. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables, net of provisions, as at the balance sheet date is as follows:

	30 June 2007 (Unaudited)	31 December 2006 (Audited)
	HK$'000	*HK$'000*
Within 6 months	**81,304**	155,925
7 – 12 months	**46,605**	12,232
13 – 24 months	**8,100**	12,033
Over 24 months	**1,453**	832
	137,462	181,022

Included in the Group's trade and bills receivables are amounts due from the Group's related companies and associates of approximately HK$1,214,000 (2006: HK$61,000) and HK$2,529,000 (2006: HK$2,579,000), respectively, which are repayable on similar credit terms to those offered to the major customers of the Group.

9. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date is as follows:

	30 June 2007 (Unaudited) *HK$'000*	31 December 2006 (Audited) *HK$'000*
Within 6 months	**95,494**	90,693
7 – 12 months	**7,944**	938
13 – 24 months	**1,120**	2,525
Over 24 months	**1,981**	1,139
	106,539	95,295

Included in the Group's trade and bills payables are amounts due to the Group's related companies and associates of approximately HK$2,944,000 (2006: HK$5,521,000) and HK$20,337,000 (2006: HK$11,647,000), respectively, which are repayable on similar credit terms to those obtained from major suppliers of the Group.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2007 (2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

The Group recorded an unaudited consolidated loss attributable to equity holders of the parent of HK$51.2 million for the six months ended 30 June 2007 (Six months ended 30 June 2006: HK$32.6 million). The Group recorded a significant decrease in turnover during the current interim period by approximately 80.1% to HK$279.9 million (Six months ended 30 June 2006: HK$1,407.7 million) and an increase in gross profit ratio from 9.65% for the six months ended 30 June 2006 to 24.83% for the current interim period as a result of the partial disposal of the distribution business of information products during the second half of 2006 which had a much lower gross profit percentage if compared to the business of software development and systems integration.

Basic loss per share attributable to equity holders of the parent for the period was HK4.56 cents (Six months ended 30 June 2006: HK2.90 cents).

Operating Review and Prospects

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

The turnover of the software development and systems integration business for the media sector for the current period has decreased by 4.3% to HK$168.3 million (Six months ended 30 June 2006: HK$175.9 million) while its segment results recorded a loss of HK$36.9 million (Six months ended 30 June 2006: HK$31.6 million).

Similar to the six months ended 30 June 2006, the Media Business is faced with the delay in the recognition of revenue of certain systems integration contracts during the period under review. However, the Media Business has been able to maintain its gross profit ratio for the current interim period at 41.61% (Six months ended 30 June 2006: 41.67%).

The increase in segment loss for the Media Business can also be attributed to the need to allocate further resources for the product development and market exploration for the business of our Beijing Founder Apabi Technology Co., Ltd. ("Apabi Business"). Although the Apabi Business has gained a large market share in the PRC's e-Library, e-Document, e-Book and e-Chop business sectors, the Group believes that more resources would be required for the future development of the Apabi Business before it could contribute to the Group's overall operation. At present, the Apabi Business operates an e-Book portal, www.idoican.com.cn (愛讀愛看網站) for various e-newspapers and e-magazines in the PRC.

In addition to the traditional graphic arts and electronic publishing software solutions for the needs of newspapers and publishing houses, EasiPrint Digital Printing System (印捷數碼印刷系統) is also well established in the digital printing sector in the PRC and over 100 partners have joined us as franchised digital printing shops over different provinces in the PRC with a customers base spanning more than 30 major cities and provinces in the PRC.

Besides the systems integration business for the media customers, the Media Business is actively exploring the opportunity to integrate vertically into the digital printing hardware and consumables business. The Group believes that the provision of its own printing hardware and consumables to the customers will allow the Media Business to provide a fuller spectrum of services to its customers with better quality, compatibility and lower costs.

(b) *Software development and systems integration for non-media sector ("Non-Media Business")*

The turnover of the Non-Media Business for the period decreased by 0.6% to HK$108.8 million (Six months ended 30 June 2006: HK$109.4 million) while its segment results recorded a loss of HK$14.3 million (Six months ended 30 June 2006: HK$2.6 million).

The increase in segment loss is mainly because of the delay in the completion for certain of the systems integration contracts. During the current interim period, the Non-Media Business was mainly focused on the systems integration business for the finance and securities industries and government bureaus in the PRC. The major products and services offered by the Non-Media Business include various solutions for the banking, insurance and securities industries, call center solutions, security and identity verification systems, documents imaging systems and fingerprint related security solutions.

(c) *Distribution of information products*

The distribution business of information products was partially disposed of in July 2006 as a result of the Company's partial disposal of 21.85% equity interest in EC-Founder which became the Group's 33.00% owned associated company.

During the current interim period, EC-Founder's turnover increased by 6.9% to HK$1,237.4 million (Six months ended 30 June 2006: HK$1,157.2 million) while its profit attributable to equity holders of the parent for the current interim period was HK$10.4 million (Six months ended 30 June 2006: HK$11.0 million).

Financial Review

Liquidity, financial resources and capital commitments

At 30 June 2007, the Group recorded total assets of HK$762.9 million which were financed by liabilities of HK$397.8 million, minority interests of HK$5.7 million and equity of HK$359.4 million. The Group's net asset value per share as at 30 June 2007 amounted to HK$0.32 (31 December 2006: HK$0.36).

The Group had a total cash and bank balance of HK$230.5 million as at 30 June 2007. After deducting total bank borrowings of HK$10.6 million, the Group recorded a net cash balance of HK$219.9 million as at 30 June 2007 as compared to HK$265.6 million as at 31 December 2006. The Group's borrowings, which are subject to little seasonality, consist of mainly short term revolving trust receipt loans. As at 30 June 2007, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders' equity, was 0.03 (31 December 2006: Nil) while the Group's working capital ratio was 1.40 (31 December 2006: 1.58).

At 30 June 2007 and 31 December 2006, 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 Hong Kong dollars, Renminbi and United States dollars. Surplus cash is generally placed in short term deposits denominated in Hong Kong dollars, Renminbi and United States dollars.

Exposure to fluctuations in exchange rates and related hedges

Most of the Group's borrowings are denominated in Hong Kong dollars, Renminbi and United States dollars while the sales of the Group are mainly denominated in Renminbi and United States dollars. As the exchange rates of United States dollars against Hong Kong dollars and Renminbi were relatively stable during the period under review, the Group's exposure to fluctuations in exchange rates is considered minimal and no financial instruments have been used for hedging purposes.

Contracts

At 30 June 2007, the major contracts in hand for the software development and systems integration business amounted to approximately HK$290.1 million (31 December 2006: HK$187.5 million).

Charges on assets

At 30 June 2007, certain of the Group's land and buildings and investment properties in Hong Kong of approximately HK$54.5 million and bank deposits of approximately HK$40.3 million were pledged to banks to secure banking facilities granted.

Contingent liabilities

At 30 June 2007, the Group did not have any significant contingent liabilities.

Employees and Remuneration Policies

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 schemes 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 Company had not granted any share options during the current period.

As at 30 June 2007, the Group had 1,815 employees (31 December 2006: 1,603).

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 period.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the six months ended 30 June 2007.

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") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of the Company's directors, all the directors confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2007.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company. These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2007 of the Group now reported have been reviewed by the audit committee.

DISCLOSURE OF INFORMATION ON WEBSITE OF THE STOCK EXCHANGE

The 2007 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 Stock Exchange's website (http://www.hkex.com.hk) and the Company's website (http://www.irasia.com/listco/hk/founder/index.htm) in due course.

By Order of the Board
FOUNDER HOLDINGS LIMITED
Zhang Zhao Dong
Chairman

Hong Kong
21 September 2007

As at the date of this announcement, the Board of the Company comprises the executive directors of Mr Zhang Zhao Dong (Chairman), Professor Xiao Jian Guo (Deputy Chairman), Mr Liu Xiao Kun (President), Professor Wei Xin, Mr Chen Geng and Mr Xie Ke Hai, and the independent non-executive directors of Mr Li Fat Chung, Dr Hu Hung Lick, Henry and Ms Wong Lam Kit Yee.

* *For identification purpose only*