



**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 2007**

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 2007 together with the comparative figures.

**CONSOLIDATED INCOME STATEMENT**

*For the year ended 31 December 2007*

|  | <i>Notes</i> | <b>2007</b><br><b>HK\$'000</b> | 2006<br>HK\$'000   |
|--|--------------|--------------------------------|--------------------|
| <b>REVENUE</b>   | 2            | <b>784,211</b>                 | 2,115,920          |
| Cost of sales  |              | <u>(578,108)</u>               | <u>(1,816,879)</u> |
| Gross profit   |              | <b>206,103</b>                 | 299,041            |
| Other income and gains   | 3            | <b>55,618</b>                  | 70,978             |
| Selling and distribution costs   |              | <b>(140,228)</b>               | (178,547)          |
| Administrative expenses  |              | <b>(93,662)</b>                | (94,621)           |
| Other expenses, net  |              | <b>(82,052)</b>                | (61,283)           |
| Finance costs  | 4            | <b>(681)</b>                   | (1,480)            |
| Share of profits and losses of associates  |              | <u>4,454</u>                   | <u>3,194</u>       |
| <b>PROFIT/(LOSS) BEFORE TAX</b>  | 5            | <b>(50,448)</b>                | 37,282             |
| Tax  | 6            | <u>(69)</u>                    | <u>(1,027)</u>     |
| <b>PROFIT/(LOSS) FOR THE YEAR</b>  |              | <u><b>(50,517)</b></u>         | <u>36,255</u>      |
| Attributable to:   |              |                                |                    |
| Equity holders of the parent   |              | <b>(50,928)</b>                | 25,911             |
| Minority interests   |              | <u>411</u>                     | <u>10,344</u>      |
|  |              | <u><b>(50,517)</b></u>         | <u>36,255</u>      |
| <b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT – BASIC</b> | 7            | <u><b>HK(4.5) cents</b></u>    | <u>HK2.3 cents</u> |

# CONSOLIDATED BALANCE SHEET

31 December 2007

|  | Notes | 2007<br>HK\$'000 | 2006<br>HK\$'000 |
|--|-------|------------------|------------------|
| <b>NON-CURRENT ASSETS</b>                                  |       |                  |                  |
| Property, plant and equipment                              |       | 60,468           | 67,769           |
| Investment properties                                      |       | 27,785           | 25,360           |
| Interests in associates                                    |       | 99,111           | 95,446           |
| Total non-current assets                                   |       | 187,364          | 188,575          |
| <b>CURRENT ASSETS</b>                                      |       |                  |                  |
| Inventories  |       | 36,606           | 34,609           |
| Systems integration contracts                              |       | 106,907          | 70,735           |
| Trade and bills receivables                                | 8     | 132,935          | 181,022          |
| Prepayments, deposits and other receivables                |       | 54,386           | 49,087           |
| Equity investments at fair value through profit or loss    |       | 2,072            | 2,350            |
| Pledged deposits   |       | 25,431           | 35,581           |
| Cash and cash equivalents                                  |       | 314,888          | 230,057          |
| Total current assets                                       |       | 673,225          | 603,441          |
| <b>CURRENT LIABILITIES</b>                                 |       |                  |                  |
| Trade and bills payables                                   | 9     | 123,785          | 95,295           |
| Other payables and accruals                                |       | 348,270          | 287,836          |
| Interest-bearing bank borrowings                           |       | 10,670           | –                |
| Tax payable  |       | 44               | 4                |
| Total current liabilities                                  |       | 482,769          | 383,135          |
| <b>NET CURRENT ASSETS</b>                                  |       | 190,456          | 220,306          |
| Net assets   |       | 377,820          | 408,881          |
| <b>EQUITY</b>  |       |                  |                  |
| <b>Equity attributable to equity holders of the parent</b> |       |                  |                  |
| Issued capital   |       | 113,030          | 112,380          |
| Reserves   |       | 258,769          | 290,913          |
|  |       | 371,799          | 403,293          |
| <b>Minority interests</b>                                  |       | 6,021            | 5,588            |
| Total equity   |       | 377,820          | 408,881          |

Notes:

## 1.1 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, 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, certain land and buildings and equity investments, 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 (HK\$’000) except when otherwise indicated.

## 1.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year’s financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material effect on these financial statements.

|                   |   |
|-------------------|---|
| HKFRS 7           | <i>Financial Instruments: Disclosures</i>         |
| HKAS 1 Amendment  | <i>Capital Disclosures</i>                        |
| HK(IFRIC) -Int 8  | <i>Scope of HKFRS 2</i>                           |
| HK(IFRIC) -Int 9  | <i>Reassessment of Embedded Derivatives</i>       |
| HK(IFRIC) -Int 10 | <i>Interim Financial Reporting and Impairment</i> |

The principal effects of adopting these new and revised HKFRSs are as follows:

### (a) **HKFRS 7 *Financial Instruments: Disclosures***

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group’s financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

### (b) **Amendment to HKAS 1 *Presentation of Financial Statements – Capital Disclosures***

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group’s objectives, policies and processes for managing capital.

### (c) **HK(IFRIC)-Int 8 *Scope of HKFRS 2***

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group’s equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to the Group’s employees for identified services provided in accordance with the Group’s share option scheme, the interpretation has had no effect on these financial statements.

(d) **HK(IFRIC) -Int 9 Reassessment of Embedded Derivatives**

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

(e) **HK(IFRIC) -Int 10 Interim Financial Reporting and Impairment**

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

2. **REVENUE AND SEGMENT INFORMATION**

Revenue, which is also the Group's turnover, 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.

(a) **Business segments**

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 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             |
|   | 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         |
| <b>Segment revenue:</b>                   |   |                |   |                |                                      |                  |                 |                 |              |              |              |                 |                 |                  |
| Sales to external customers               | 500,740   | 511,634        | 277,377   | 306,859        | -                                    | 1,289,258        | -               | -               | 6,094        | 8,169        | -            | -               | 784,211         | 2,115,920        |
| Intersegment sales                        | -   | 2,077          | -   | -              | -                                    | 41,448           | -               | -               | -            | -            | -            | (43,525)        | -               | -                |
| Other income                              | 30,401  | 34,252         | 4,574   | 5,545          | -                                    | 299              | 4,127           | 2,102           | 18           | 305          | -            | -               | 39,120          | 42,503           |
| <b>Total</b>                              | <b>531,141</b>  | <b>547,963</b> | <b>281,951</b>  | <b>312,404</b> | <b>-</b>                             | <b>1,331,005</b> | <b>4,127</b>    | <b>2,102</b>    | <b>6,112</b> | <b>8,474</b> | <b>-</b>     | <b>(43,525)</b> | <b>823,331</b>  | <b>2,158,423</b> |
| <b>Segment results</b>                    | <b>(45,677)</b>   | <b>1,251</b>   | <b>(12,405)</b>   | <b>4,045</b>   | <b>-</b>                             | <b>20,361</b>    | <b>(12,533)</b> | <b>(18,963)</b> | <b>(104)</b> | <b>399</b>   |              |                 | <b>(70,719)</b> | <b>7,093</b>     |
| Interest income and unallocated gains     |   |                |   |                |                                      |                  |                 |                 |              |              |              |                 | 16,498          | 28,475           |
| Finance costs                             |   |                |   |                |                                      |                  |                 |                 |              |              |              |                 | (681)           | (1,480)          |
| Share of profits and losses of associates | 889   | 277            | -   | -              | 3,565                                | 2,917            | -               | -               | -            | -            | -            | -               | 4,454           | 3,194            |
| Profit/(loss) before tax                  |   |                |   |                |                                      |                  |                 |                 |              |              |              |                 | (50,448)        | 37,282           |
| Tax                                       |   |                |   |                |                                      |                  |                 |                 |              |              |              |                 | (69)            | (1,027)          |
| Profit/(loss) for the year                |   |                |   |                |                                      |                  |                 |                 |              |              |              |                 | (50,517)        | 36,255           |

|   | Software development and systems integration for media business |          | Software development and systems integration for non-media business |          | Distribution of information products |          | Others   |          | Eliminations |          | Consolidated   |                |
|---|---|----------|---|----------|--------------------------------------|----------|----------|----------|--------------|----------|----------------|----------------|
|   | 2007  | 2006     | 2007  | 2006     | 2007                                 | 2006     | 2007     | 2006     | 2007         | 2006     | 2007           | 2006           |
|   | HK\$'000  | HK\$'000 | HK\$'000  | HK\$'000 | HK\$'000                             | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000     | HK\$'000 | HK\$'000       | HK\$'000       |
| <b>Assets and liabilities</b>               |   |          |   |          |                                      |          |          |          |              |          |                |                |
| Segment assets                              | 356,923   | 366,256  | 339,542   | 265,990  | -                                    | -        | 7,691    | 7,411    | (1,310)      | (427)    | 702,846        | 639,230        |
| Interests in associates                     | 14,303  | 13,060   | -   | -        | 84,808                               | 82,386   | -        | -        | -            | -        | 99,111         | 95,446         |
| Corporate and other unallocated assets      |   |          |   |          |                                      |          |          |          |              |          | <u>58,632</u>  | <u>57,340</u>  |
| Total assets                                |   |          |   |          |                                      |          |          |          |              |          | <u>860,589</u> | <u>792,016</u> |
| Segment liabilities                         | 200,741   | 175,350  | 270,005   | 205,742  | -                                    | -        | 1,321    | 1,477    | (256)        | -        | 471,811        | 382,569        |
| Corporate and other unallocated liabilities |   |          |   |          |                                      |          |          |          |              |          | <u>10,958</u>  | <u>566</u>     |
| Total liabilities                           |   |          |   |          |                                      |          |          |          |              |          | <u>482,769</u> | <u>383,135</u> |
| <b>Other segment information:</b>           |   |          |   |          |                                      |          |          |          |              |          |                |                |
| Depreciation                                | 13,705  | 9,379    | 1,156   | 1,678    | -                                    | 1,249    | 593      | 764      |              |          | 15,454         | 13,070         |
| Capital expenditure                         | 15,745  | 14,112   | 667   | 970      | -                                    | 2,452    | 105      | 146      |              |          | <u>16,517</u>  | <u>17,680</u>  |

**(b) Geographical segments**

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2007 and 2006.

|                                   | Hong Kong      |                | Mainland China |                  | Overseas      |               | Eliminations    |                  | Consolidated   |                  |
|-----------------------------------|----------------|----------------|----------------|------------------|---------------|---------------|-----------------|------------------|----------------|------------------|
|                                   | 2007           | 2006           | 2007           | 2006             | 2007          | 2006          | 2007            | 2006             | 2007           | 2006             |
|                                   | 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       | 121,722        | 147,572        | 653,298        | 1,956,250        | 9,191         | 12,098        | -               | -                | 784,211        | 2,115,920        |
| Intersegment sales                | 90,781         | 284,576        | -              | -                | -             | -             | (90,781)        | (284,576)        | -              | -                |
| Other income                      | 3,042          | 3,227          | 35,215         | 37,709           | 863           | 1,567         | -               | -                | 39,120         | 42,503           |
| Total                             | <u>215,545</u> | <u>435,375</u> | <u>688,513</u> | <u>1,993,959</u> | <u>10,054</u> | <u>13,665</u> | <u>(90,781)</u> | <u>(284,576)</u> | <u>823,331</u> | <u>2,158,423</u> |
|                                   |                |                |                |                  |               |               |                 |                  |                |                  |
|                                   |                |                |                |                  |               |               |                 |                  |                |                  |
|                                   |                |                |                |                  |               |               |                 |                  |                |                  |
| <b>Other segment information:</b> |                |                |                |                  |               |               |                 |                  |                |                  |
| Segment assets                    |                |                | 77,899         | 28,473           | 612,048       | 597,998       | 12,899          | 12,759           | 702,846        | 639,230          |
| Capital expenditure               |                |                | 105            | 146              | 16,313        | 17,532        | 99              | 2                | 16,517         | 17,680           |

### 3. OTHER INCOME AND GAINS

|   | 2007<br><i>HK\$'000</i> | 2006<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| <u>Other income</u>                                 |                         |                         |
| Bank interest income                                | 3,777                   | 3,002                   |
| Other interest income                               | 242                     | –                       |
| Gross rental income                                 | 1,879                   | 1,965                   |
| Government grants                                   | 33,443                  | 35,974                  |
| Others  | <u>3,798</u>            | <u>4,564</u>            |
|   | <u>43,139</u>           | <u>45,505</u>           |
| <br>  |                         |                         |
| <u>Gains</u>  |                         |                         |
| Revaluation surplus of land and buildings           | –                       | 5,121                   |
| Fair value gains on investment properties           | 2,425                   | 2,250                   |
| Gain on disposal/partial disposal of subsidiaries   | 7,628                   | 17,810                  |
| Gain on deemed disposal of interest in an associate | 219                     | –                       |
| Foreign exchange differences, net                   | 1,504                   | –                       |
| Others  | <u>703</u>              | <u>292</u>              |
|   | <u>12,479</u>           | <u>25,473</u>           |
|   | <u>55,618</u>           | <u>70,978</u>           |

### 4. FINANCE COSTS

|                                       | 2007<br><i>HK\$'000</i> | 2006<br><i>HK\$'000</i> |
|---------------------------------------|-------------------------|-------------------------|
| Interest on bank loans and overdrafts | 681                     | 1,438                   |
| Interest on finance lease             | <u>–</u>                | <u>42</u>               |
|                                       | <u>681</u>              | <u>1,480</u>            |

### 5. PROFIT/(LOSS) BEFORE TAX

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

|  | 2007<br><i>HK\$'000</i> | 2006<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Cost of inventories sold                                   | 447,028                 | 1,701,794               |
| Depreciation   | 15,454                  | 13,070                  |
| Loss on disposal of items of property, plant and equipment | <u>65</u>               | <u>126</u>              |

## 6. TAX

|                               | 2007<br><i>HK\$'000</i> | 2006<br><i>HK\$'000</i> |
|-------------------------------|-------------------------|-------------------------|
| Current – Hong Kong           | –                       | 8                       |
| Current – Elsewhere           | <u>69</u>               | <u>1,019</u>            |
| Total tax charge for the year | <u><u>69</u></u>        | <u><u>1,027</u></u>     |

No Hong Kong profits tax has been provided as there are no assessable profits arising in Hong Kong during the year. Hong Kong profits tax for the prior year had been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the prior year.

Taxes on profits assessable elsewhere 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.

The share of tax attributable to associates amounting to approximately HK\$609,000 (2006: HK\$1,819,000) is included in “Share of profits and losses of associates” on the face of the consolidated income statement.

On 16 March 2007, the National People’s Congress approved the Corporate Income Tax Law in the People’s Republic of China (the “PRC”) (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 included, but are not limited to the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. Pursuant to the New Corporate Income Tax Law, a 10% withholding tax will be levied on dividends declared to foreign investors from the PRC effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdictions of the foreign investors. On 22 February 2008, Caishui (2008) No. 1 was promulgated by the tax authorities to specify that dividends declared and remitted out of the PRC from the retained earnings as at 31 December 2007 are exempted from the withholding tax. 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 details requirements are issued.

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

The calculation of basic earnings/(loss) per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent of approximately HK\$50,928,000 (2006: profit of HK\$25,911,000), and the weighted average number of approximately 1,127,050,000 (2006: 1,123,800,000) ordinary shares in issue during the year.

Diluted earnings/(loss) per share amounts for the years ended 31 December 2007 and 2006 have not been calculated as the exercise price of the outstanding share options during the year was higher than the average market price of the Company’s shares during the year.

## 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 as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

|                 | <b>2007</b><br><i>HK\$'000</i> | 2006<br><i>HK\$'000</i> |
|-----------------|--------------------------------|-------------------------|
| Within 6 months | <b>107,298</b>                 | 155,925                 |
| 7-12 months     | <b>13,619</b>                  | 12,232                  |
| 13-24 months    | <b>9,749</b>                   | 12,033                  |
| Over 24 months  | <b>2,269</b>                   | 832                     |
|                 | <b>132,935</b>                 | 181,022                 |

## 9. TRADE AND BILLS PAYABLES

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

|                 | <b>2007</b><br><i>HK\$'000</i> | 2006<br><i>HK\$'000</i> |
|-----------------|--------------------------------|-------------------------|
| Within 6 months | <b>96,780</b>                  | 90,693                  |
| 7-12 months     | <b>19,616</b>                  | 938                     |
| 13-24 months    | <b>4,204</b>                   | 2,525                   |
| Over 24 months  | <b>3,185</b>                   | 1,139                   |
|                 | <b>123,785</b>                 | 95,295                  |



## **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 (2006: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Overall Performance**

The Group reported a loss attributable to equity holders of the parent for the year ended 31 December 2007 of approximately HK\$50.9 million (year ended 31 December 2006: profit of HK\$25.9 million). The Group's turnover for the current financial year decreased by 62.9% to approximately HK\$784.2 million (year ended 31 December 2006: HK\$2,115.9 million) as a result of the partial disposal of EC-Founder (Holdings) Company Limited and its subsidiaries ("EC-Founder") which became the Group's associates on 31 July 2006. On the contrary, gross profit ratio increased from last financial year's 14.1% to 26.3% for the current financial year because EC-Founder's distribution business of information products had a much lower gross profit percentage as compared to the business of software development and systems integration. The Group recorded a gain on disposal of Founder Apabi International Limited and its subsidiary (collectively "Founder Apabi Group") of approximately HK\$7.6 million which is included as other income and gains in the current financial year.

Basic loss per share for the year was HK4.5 cents (year ended 31 December 2006: basic earnings per share of HK2.3 cents).

### **Operating Review and Prospects**

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

The turnover of the Media Business for the current financial year decreased slightly by 2.1% to approximately HK\$500.7 million (year ended 31 December 2006: HK\$511.6 million) while the segment results recorded a loss of approximately HK\$45.7 million (year ended 31 December 2006: segment profits of HK\$1.3 million). The gross profit ratio for the Media Business for the current financial year remained at the same level as last financial year's 39.2%.

The Media Business recorded a continued segment loss of HK\$8.8 million in the second half of the current financial year as compared with a segment loss of HK\$36.9 million for the six months ended 30 June 2007 mainly because of the continued operating loss for the Founder Apabi Technology Co., Ltd. (北京方正阿帕比技術有限公司) ("Founder Apabi"), the subsidiary of Founder Apabi International Limited, which was then disposed of in November 2007. As discussed in prior year, the Group has allocated more resources for new product development and marketing effort for the business of Founder Apabi and due to the sustained operating loss incurred, the business of Founder Apabi was disposed of in November 2007 in order to allow the Group to focus its attention on the traditional graphic arts and e-publishing business.

With the continued printing digitalization process in the printing industry, Beijing Founder Electronics Co., Ltd. (“Founder Electronics”) has been focusing its business development in three main areas, namely the digitalization of the production procedure, the printing process and the management. In 2007, Founder Electronics has launched its first own developed and advanced technology computer-to-plate CTP product, Founder Diao Long (方正雕龍) in response to the increasing demand for fast, efficient and cost-effecting printing process. The Group foresees that the continued development of the Group’s CTP products and its related graphic arts and e-publishing software solutions for the needs of newspaper and publishing houses will bring the Group into another thriving era in the printing industry.

On 30 November 2007, the CMMI4 certification of the Group’s software development arm, Founder Electronics by the United States high-ranking chief appraiser Software Engineering Institute on the passing through of Level IV of the Capability Maturity Appraisal marks the process capability maturity of Founder Electronics has reached the advanced world level and its great stand-alone technology.

Facing the trend of globalization and the new demands in the publishing sector, the Media Business is set to continue its focus in technological innovation by bringing a full range of technologies to address the business development needs of its customer base in this “electronics age” and the Group is also dedicated to the continued development of the digital information production and communication industries in China.

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

The turnover of the Non-Media Business for the current financial year decreased by 9.6% to approximately HK\$277.4 million (year ended 31 December 2006: HK\$306.9 million) while its segment results has recorded a loss of approximately HK\$12.4 million (year ended 31 December 2006: segment profit of HK\$4.0 million).

Faced with the delay in the recognition of revenue of certain systems integration contracts in the current financial year, the Non-Media Business sector recorded a segment loss as compared with a segment profit of HK\$4.0 million for year ended 31 December 2006. During the current financial year, the Non-Media Business was mainly focused on the systems integration business for the finance and securities industries and the government bureaus in China. The major products and services provided 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 (“Distribution Business”)*

The Distribution Business 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 Company’s associated companies and so no segment results was recorded under the distribution of information products segment. The segment results for the year ended 31 December 2006 represented the first seven months’ operating results of the Distribution Business.

## **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.

In the current financial year, the moderate decrease in the headcount for the Group is mainly due to the partial disposal of Founder Apabi Group in November 2007. At 31 December 2007, the number of employees of the Group was approximately 1,327 (31 December 2006: 1,603).

## **FINANCIAL REVIEW**

### **Liquidity, financial resources and capital commitments**

At 31 December 2007, the Group recorded total assets of HK\$860.6 million which were financed by liabilities of HK\$482.8 million, minority interests of HK\$6.0 million and equity of HK\$371.8 million. The Group’s net asset value per share as at 31 December 2007 amounted to HK\$0.33 (31 December 2006: HK\$0.36).

The Group had a total cash and bank balance of HK\$340.3 million as at 31 December 2007 (31 December 2006: HK\$265.6 million). The Group had bank borrowings of HK\$10.7 million as at 31 December 2007 (31 December 2006: Nil) and recorded a net cash balance of HK\$329.6 million as at 31 December 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 bank loans. As at 31 December 2007, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total equity attributable to equity holders of the parent, was 0.03 (31 December 2006: zero) while the Group's working capital ratio was 1.39 (31 December 2006: 1.58).

At 31 December 2007, 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. The sales and purchases made by the subsidiaries of the Group in the PRC are conducted in Renminbi and hence, the transactional currency exposure is minimal. As the exchange rates of United States dollars against Hong Kong dollars was relatively stable during the year 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 31 December 2007, the major contracts in hand for the software development and systems integration business amounted to approximately HK\$379.6 million (31 December 2006: HK\$187.5 million), which are all expected to be completed within one year time.

### **Material acquisitions and disposals of subsidiaries and associates**

On 16 October 2007, the Group entered into a conditional sale and purchase agreement with Founder Information (Hong Kong) Limited, a subsidiary of Peking University Founder Group Company Limited, to dispose of its entire equity interest in Founder Apabi International Limited for a cash consideration of HK\$27.2 million. The disposal was completed in 30 November 2007 and a gain of approximately HK\$7.6 million was recorded.

## **Charges on assets**

At 31 December 2007, the Group's land and buildings in Hong Kong of approximately HK\$31.6 million and investment properties of approximately HK\$27.3 million and bank deposits of approximately HK\$25.4 million were pledged to banks to secure banking facilities granted.

## **Contingent liabilities**

At 31 December 2007, 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 2007.

## **CORPORATE GOVERNANCE**

In the opinion of the directors, the Company met with the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2007.

## **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.

By Order of the Board  
**Founder Holdings Limited**  
**Zhang Zhao Dong**  
*Chairman*

Hong Kong, 18 April 2008

*As at the date of this announcement, the Board of the Company comprises 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 Dr Hu Hung Lick, Henry, Mr Li Fat Chung and Ms Wong Lam Kit Yee.*

\* *For identification purpose only*