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 2009

INTERIM RESULTS

The board of directors (the "Board") of Founder Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2009, together with the comparative figures for the corresponding period in 2008. 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 2009

	Notes	For the six months ended 30 June **2009** (Unaudited) *HK$'000*	2008 (Unaudited) *HK$'000*
REVENUE	2	**684,749**	477,224
Cost of sales		**(587,760)**	(367,745)
Gross profit		**96,989**	109,479
Other income and gains	3	**19,373**	17,657
Selling and distribution costs		**(57,148)**	(69,394)
Administrative expenses		**(31,573)**	(30,420)
Other expenses, net		**(47,418)**	(42,455)
Finance costs	4	**(1,052)**	(1,180)
Share of profits and losses of associates		**5,647**	11,165
LOSS BEFORE TAX	5	**(15,182)**	(5,148)
Tax	6	**(19)**	(198)
LOSS FOR THE PERIOD		**(15,201)**	(5,346)
Attributable to:			
Equity holders of the parent		**(15,258)**	(5,459)
Minority interests		**57**	113
		(15,201)	(5,346)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic	7	**(1.35 cents)**	(0.48 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2009

	Notes	30 June 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**58,096**	58,338
Investment properties		**25,823**	25,823
Interests in associates		**116,210**	110,755
Available-for-sale investment		**802**	802
Total non-current assets		**200,931**	195,718
CURRENT ASSETS			
Inventories		**42,993**	18,344
Gross amount due from contract customers		**132,311**	64,346
Trade and bills receivables	*8*	**245,876**	183,653
Prepayments, deposits and other receivables		**112,932**	270,810
Pledged deposits		**42,113**	42,377
Cash and cash equivalents		**402,287**	277,373
Total current assets		**978,512**	856,903
CURRENT LIABILITIES			
Trade and bills payables	*9*	**322,351**	222,618
Gross amount due to contract customers		**88,436**	41,923
Other payables and accruals		**276,349**	323,991
Interest-bearing bank borrowings		**99,045**	55,143
Tax payable		**5**	–
Total current liabilities		**786,186**	643,675
NET CURRENT ASSETS		**192,326**	213,228
TOTAL ASSETS LESS CURRENT LIABILITIES		**393,257**	408,946
NON CURRENT LIABILITIES			
Interest-bearing bank borrowings		**1,215**	3,795
Net assets		**392,042**	405,151
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**113,030**	113,030
Reserves		**278,459**	291,630
		391,489	404,660
Minority interests		**553**	491
Total equity		**392,042**	405,151

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2009

1. ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2009 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2008, 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:

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*

Apart from the above, the Group has also adopted *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording.

* Improvements to HKFRSs contains amendments to HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

Except for HKFRS 8 and HKAS 1 (Revised) giving rise to new accounting policies and additional disclosure as further described below, the adoption of the new interpretations and amendments has had no significant effect on these condensed consolidated financial statements.

(a) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers.

(b) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements.

2. SEGMENT INFORMATION

For management purposes, the Group is organised into operating segments 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 2009 and 2008.

	Software development and systems integration for media business		Software development and systems integration for non-media business		Corporate		Others		Eliminations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	(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*
Segment revenue:												
Sales to external customers	**231,970**	218,075	**450,133**	256,799	**–**	–	**2,646**	2,350	**–**	–	**684,749**	477,224
Intersegment sales	**455**	9,548	**419**	2,742	**–**	–	**–**	–	**(874)**	(12,290)	**–**	–
Other income	**13,207**	14,124	**977**	935	**1,612**	1,327	**–**	42	**–**	–	**15,796**	16,428
Total	**245,632**	241,747	**451,529**	260,476	**1,612**	1,327	**2,646**	2,392	**(874)**	(12,290)	**700,545**	493,652
Segment results	**(20,691)**	(8,137)	**2,303**	(2,705)	**(5,309)**	(5,542)	**343**	22			**(23,354)**	(16,362)
Interest income and unallocated gains											**3,577**	1,229
Finance costs											**(1,052)**	(1,180)
Share of profits and losses of associates											**5,647**	11,165
Loss before tax											**(15,182)**	(5,148)
Tax											**(19)**	(198)
Loss for the period											**(15,201)**	(5,346)

3. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**1,094**	977
Gross rental income	**628**	638
Government grants	**13,224**	14,607
Foreign exchange differences, net	**2,483**	252
Others	**1,944**	1,183
	19,373	17,657

4. FINANCE COSTS

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**1,052**	1,180

5. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**3,553**	4,605
Loss on disposal of items of property, plant and equipment	**1**	–
Impairment of trade receivables	**7,556**	7,115
Provision for obsolete inventories	**1,176**	3,500

6. TAX

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – The People's Republic of China (the "PRC")		
Charge for the period	**–**	198
Underprovision in prior years	**19**	–
Total tax charge for the period	**19**	198

No Hong Kong profits tax has been provided as there are no assessable profits arising in Hong Kong during the period (six months ended 30 June 2008: Nil).

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Corporate Income Tax Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council issued Implementation Regulation of the New Corporate Income Tax Law. The New Corporate Income Tax Law and Implementation Regulation changed the tax rate of the PRC subsidiaries to 25% from 1 January 2008 onwards.

Beijing Founder Electronics Co., Ltd. ("Founder Electronics"), and Beijing Founder Order Computer Systems Co., Ltd. ("Founder Order"), wholly-owned subsidiaries of the Company, were registered as new and high technology enterprises. Pursuant to the New Corporate Income Tax Law, Founder Electronics and Founder Order are subject to PRC corporate income tax at a rate of 15% on their assessable profits.

The share of tax attributable to associates amounting to approximately HK$543,000 (six months ended 30 June 2008: HK$2,317,000) is included in "Share of profits and losses of associates" in the 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$15,258,000 (six months ended 30 June 2008: HK$5,459,000), and the weighted average number of approximately 1,130,300,000 (six months ended 30 June 2008: 1,130,300,000) ordinary shares in issue during the period.

Diluted loss per share for the six months ended 30 June 2009 and 2008 have not been calculated as the exercise price of the outstanding share options during the period was higher than the average market price of the Company's shares during the periods.

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 end of reporting period, based on the invoice date and net of provisions, is as follows:

	30 June 2009 (Unaudited) ***HK$'000***	31 December 2008 (Audited) *HK$'000*
Within 6 months	**182,572**	141,432
7 to 12 months	**32,667**	28,738
13 to 24 months	**29,451**	12,631
Over 24 months	**1,186**	852
	245,876	183,653

Included in the Group's trade and bills receivables are amounts due from the Group's related companies and associates of approximately HK$786,000 (31 December 2008: HK$459,000) and HK$1,765,000 (31 December 2008: HK$1,132,000), 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 end of reporting period, based on the invoice date, is as follows:

	30 June 2009 (Unaudited) ***HK$'000***	31 December 2008 (Audited) *HK$'000*
Within 6 months	**272,749**	193,670
7 to 12 months	**25,450**	18,782
13 to 24 months	**19,127**	6,027
Over 24 months	**5,025**	4,139
	322,351	222,618

Included in the Group's trade and bills payables are amounts due to the Group's related companies and associates of approximately HK$23,971,000 (31 December 2008: HK$14,802,000) and HK$89,198,000 (31 December 2008: HK$36,577,000), respectively, which are repayable on similar credit terms to those obtained from major suppliers of the Group.

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

INTERIM DIVIDEND

The directors does not recommend the payment of any interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

The Group recorded an unaudited consolidated loss attributable to equity holders of the parent of approximately HK$15.3 million for the six months ended 30 June 2009 (six months ended 30 June 2008: HK$5.5 million). The Group recorded a significant increase in turnover during the current interim period by approximately 43.5% to approximately HK$684.7 million (six months ended 30 June 2008: HK$477.2 million). The gross profit has declined by 11.4% to approximately HK$97.0 million (six months ended 30 June 2008: HK$109.5 million) and the gross profit margin has decreased from 22.9% for the six months ended 30 June 2008 to 14.2% for the current interim period.

Basic loss per share attributable to equity holders of the parent for the current interim period was HK1.35 cents (six months ended 30 June 2008: HK0.48 cents).

Operating Review

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

The turnover of the Media Business for the current interim period increased by 6.4% to approximately HK$232.0 million (six months ended 30 June 2008: HK$218.1 million) while the segment results recorded a loss of approximately HK$20.7 million (six months ended 30 June 2008: segment loss of HK$8.1 million). The gross profit margin for the Media Business for the current interim period has decreased to 33.4% as compared to 45.0% for the six months ended 30 June 2008. The decline in gross profit margin was attributable to higher proportion of hardware involved in the systems integration contracts during the current interim period.

During the current interim period, the Group has allocated more resources for the new product development and market exploration. Facing the trend of digital printing in the commercial market, new models of Founder Eaglejet digital inkjet printer was launched in May 2009 with better performance/price ratio as compared with previous models. In addition, our self-developed printing software provides the users an easy-to use workflow. The continued development of the digital printers and software will enable the Group to transform itself from the role of a software developer and system integrator to that of a software and equipment developer and system integration and service provider which bring the Group into another thriving era in the printing industry.

In addition, the Group's first own developed and advanced technology computer-to-plate ("CTP") product, Founder DiaoLong (方正雕龍) has received encouraging support and strong demand from both domestic and overseas market. On 26 March 2009, the Group's software development arm, Beijing Founder Electronics Co., Ltd. ("Founder Electronics"), entered into a cooperation agreement with Agfa, one of the leading international printing solutions providers, for a closer cooperation on the development of CTP, CTP plate and other related products. This cooperation enables the Group to provide more competitive systems integration solutions in the publishing industry.

In the 2009 CPCC Annual Meeting organised by the Copyright Protection Center of China (中國版權保護中心) held in Beijing, Founder Electronics was presented with the award of excellence for TOP 10 Leaders (2008年度CPCC十大中國著作權人) for its long-term work of copyright protection program.

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

The turnover of the Non-Media Business for the current interim period increased significantly by 75.3% to approximately HK$450.1 million (six months ended 30 June 2008: HK$256.8 million). In addition, its segment results has recorded a profit of approximately HK$2.3 million (six months ended 30 June 2008: segment loss of HK$2.7 million). The significant increase in turnover and improvement in segment results was attributable to the broadening of product range and product mix offered to customers. The gross profit margin for the Non-Media Business was maintained at 4.3% for the current and last interim period.

Despite of the global financial crisis and its effect upon the China's economy, with management's continued effort to streamline the operation and opening up new customer channel, the Non-Media Business was able to secure a number of large scale systems integration contracts for the finance, insurance and securities industries and various 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.

Prospects

Given the continuous sign of recovery of the economy of China, the management will closely monitor changes in China'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 minimise the loss.

Employees

The Group has developed its human resources policies and procedures based on performance and merits. 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 period.

At 30 June 2009, the number of employees of the Group was approximately 1,369.

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 2009, the Group had interest-bearing bank borrowings of approximately HK$100.3 million (31 December 2008: HK$58.9 million), of which approximately HK$32.9 million (31 December 2008: HK$31.9 million) were fixed interest bearing and HK$67.4 million (31 December 2008: HK$27.0 million) were floating interest bearing. The bank borrowings were denominated in Renminbi ("RMB") and United States dollars ("U.S. Dollars"), of which approximately HK$99.1 million (31 December 2008: HK$55.1 million) and HK$1.2 million (31 December 2008: HK$3.8 million) were repayable within one year and two to five years, respectively. The Group's banking facilities were secured by corporate guarantees given by the Company and Peking University Founder Group Company Limited, certain of the Group's land and buildings and investment properties and bank deposits.

At 30 June 2009, the Group recorded total assets of HK$1,179.4 million which were financed by liabilities of HK$787.4 million, minority interests of HK$0.6 million and equity of HK$391.4 million. The Group's net asset value per share as at 30 June 2009 amounted to HK$0.35 (31 December 2008: HK$0.36).

The Group had total cash and bank balances of HK$444.4 million as at 30 June 2009 (31 December 2008: HK$319.8 million). After deducting total bank borrowings of HK$100.3 million (31 December 2008: HK$58.9 million), the Group recorded net cash and bank balances of HK$344.1 million as at 30 June 2009 as compared to HK$260.9 million as at 31 December 2008. The Group's borrowings, which are subject to little seasonality, consist of mainly short and long term bank loans and trust receipt loans. As at 30 June 2009, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders' equity, was 0.26 (31 December 2008: 0.15) while the Group's working capital ratio was 1.24 (31 December 2008: 1.33).

At 30 June 2009, 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, RMB and U.S. Dollars. Surplus cash is generally placed in short term deposits denominated in Hong Kong dollars, RMB and U.S. Dollars.

Exposure to fluctuations in exchange rates and related hedges

Most of the Group's borrowings are denominated in RMB and U.S. Dollars while the sales of the Group are mainly denominated in RMB and U.S. Dollars. As the exchange rates of U.S. Dollars against Hong Kong dollars and RMB 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 2009, the major contracts in hand for the software development and systems integration business amounted to approximately HK$565.2 million, which are all expected to be completed within one year time.

Material acquisitions and disposals of subsidiaries and associates

The Group had no material acquisition or disposals of subsidiaries and associates for the six months ended 30 June 2009.

Charges on assets

At 30 June 2009, the Group's land and buildings in Hong Kong of approximately HK$28.8 million and investment properties of approximately HK$25.8 million and bank deposits of approximately HK$42.1 million were pledged to banks to secure banking facilities granted.

Contingent liabilities

At 30 June 2009, the Group did not have any significant contingent liabilities (31 December 2008: Nil).

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.

CORPORATE GOVERNANCE

None of the directors of the Company is aware of any information which would reasonably indicate that the Company has not, throughout the six months ended 30 June 2009, complied with the code provisions of the Code of Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

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.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's condensed consolidated interim financial statements for six months ended 30 June 2009, including the accounting principles adopted by the Group, with the Company's management.

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

Hong Kong
25 September 2009

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*