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FOUNDER HOLDINGS LIMITED
方正控股有限公司*

(Incorporated in Bermuda with limited liability)
 (Stock code: 00418)

**FINAL RESULTS ANNOUNCEMENT
 FOR THE YEAR ENDED 31 DECEMBER 2010**

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 2010 together with the comparative figures.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2010

	<i>Notes</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
REVENUE	4	2,240,732	1,912,093
Cost of sales		<u>(1,934,117)</u>	<u>(1,633,203)</u>
Gross profit		306,615	278,890
Other income and gains	4	92,895	54,517
Selling and distribution costs		(169,435)	(138,514)
Administrative expenses		(67,115)	(67,269)
Other expenses, net		(97,181)	(113,472)
Finance costs	5	(6,339)	(2,902)
Share of profits and losses of associates		6,120	12,295
PROFIT BEFORE TAX	6	65,560	23,545
Income tax expense	7	(2,616)	(179)
PROFIT FOR THE YEAR		<u>62,944</u>	<u>23,366</u>
Attributable to:			
Owners of the parent		62,823	23,155
Non-controlling interests		121	211
		<u>62,944</u>	<u>23,366</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		<u>HK5.6 cents</u>	<u>HK2.0 cents</u>
Diluted		<u>HK5.6 cents</u>	<u>HK2.0 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	<i>Notes</i>	2010 HK\$'000	2009 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		152,453	119,262
Investment properties		39,200	30,560
Investments in associates		135,308	123,882
Available-for-sale investment		–	802
Total non-current assets		326,961	274,506
CURRENT ASSETS			
Inventories		34,410	26,349
Gross amount due from contract customers		28,061	94,048
Trade and bills receivables	9	290,545	211,472
Prepayments, deposits and other receivables		301,898	344,053
Pledged deposits		13,231	92,572
Cash and cash equivalents		292,987	333,031
Total current assets		961,132	1,101,525
CURRENT LIABILITIES			
Trade and bills payables	10	217,576	368,913
Gross amount due to contract customers		7,611	44,758
Other payables and accruals		305,328	363,835
Interest-bearing bank borrowings		157,282	102,733
Tax payable		2,578	7
Total current liabilities		690,375	880,246
NET CURRENT ASSETS		270,757	221,279
TOTAL ASSETS LESS CURRENT LIABILITIES		597,718	495,785
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		–	1,062
Deferred tax liabilities		8,452	5,907
Total non-current liabilities		8,452	6,969
Net assets		589,266	488,816
EQUITY			
Equity attributable to owners of the parent			
Issued capital		113,030	113,030
Reserves		475,384	375,079
		588,414	488,109
Non-controlling interests		852	707
Total equity		589,266	488,816

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 and land and buildings, 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.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year’s financial statements.

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i>
HKFRS 5 Amendments included in <i>Improvements to HKFRSs</i> issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary</i>
<i>Improvements to HKFRSs 2009</i>	<i>Amendments to a number of HKFRSs issued in May 2009</i>
HK Interpretation 4 Amendment	<i>Amendment to HK Interpretation 4 Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>
HK Interpretation 5	<i>Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause</i>

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009* and HK Interpretation 4 (Revised in December 2009), the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

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

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and further reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.
- HKAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) the software development and systems integration for media business segment provides electronic publishing and broadcasting systems to media companies;
- (b) the software development and systems integration for non-media business segment provides banking and information systems to financial institutions, enterprises and government departments;
- (c) the corporate segment comprises corporate income and expense items; and
- (d) the “others” segment comprises principally the Group’s editing services for newspapers and magazines.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that interest income and finance costs from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude pledged deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

	Software development and systems integration for media business		Software development and systems integration for non-media business		Corporate		Others		Total	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Segment revenue:										
Sales to external customers	918,521	752,689	1,321,927	1,159,180	-	-	284	224	2,240,732	1,912,093
Intersegment sales	14,983	9,169	-	-	-	-	-	-	14,983	9,169
	933,504	761,858	1,321,927	1,159,180	-	-	284	224	2,255,715	1,921,262
<i>Reconciliation:</i>										
Elimination of intersegment sales									(14,983)	(9,169)
Revenue									2,240,732	1,912,093
Segment results	38,735	21,826	16,664	(7,675)	(1,277)	(7,337)	1,905	1,879	56,027	8,693
<i>Reconciliation:</i>										
Interest income and unallocated gains									9,752	5,459
Finance costs									(6,339)	(2,902)
Share of profits and losses of associates									6,120	12,295
Profit before tax									65,560	23,545

	Software development and systems integration for media business		Software development and systems integration for non-media business		Others		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	579,434	335,281	242,850	481,125	83,893	65,060	906,177	881,466
<i>Reconciliation:</i>								
Elimination of intersegment receivables							(59,907)	(55,233)
Investments in associates							135,308	123,882
Corporate and other unallocated assets							306,515	425,916
Total assets							<u>1,288,093</u>	<u>1,376,031</u>
Segment liabilities	442,820	292,039	144,383	535,819	10,552	10,525	597,755	838,383
<i>Reconciliation:</i>								
Elimination of intersegment payables							(59,907)	(55,233)
Corporate and other unallocated liabilities							160,979	104,065
Total liabilities							<u>698,827</u>	<u>887,215</u>
Other segment information:								
Depreciation	6,944	6,068	1,107	1,564	16	15	8,067	7,647
Capital expenditure*	4,382	4,758	5,035	305	4	–	9,421	5,063

* *Capital expenditure consists of additions to property, plant and equipment.*

Geographical information

(a) Revenue from external customers

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Hong Kong	645,010	255,461
Mainland China	1,594,606	1,652,990
Others	1,116	3,642
	<u>2,240,732</u>	<u>1,912,093</u>

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

(b) Non-current assets

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Hong Kong	202,941	172,742
Mainland China	107,736	86,723
Others	16,284	14,239
	<u>326,961</u>	<u>273,704</u>

The non-current asset information above is based on the location of assets and excludes financial instruments.

Information about a major customer

Revenue of approximately HK\$409,511,000 (2009: HK\$274,748,000) was derived from sales by the software development and systems integration for non-media segment to a single customer.

4. REVENUE, OTHER INCOME AND GAINS

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.

An analysis of the Group's revenue, other income and gains is as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Revenue		
Software development and systems integration	2,240,448	1,911,869
Others	284	224
	<u>2,240,732</u>	<u>1,912,093</u>
Other income		
Bank interest income	2,161	2,459
Other interest income	6,444	2,182
Gross rental income	1,214	1,242
Government grants	39,013	36,987
Others	3,870	5,984
	<u>52,702</u>	<u>48,854</u>
Gains		
Fair value gains on investment properties	8,640	4,737
Foreign exchange differences, net	1,147	818
Gain on disposal of a subsidiary	30,232	–
Others	174	108
	<u>40,193</u>	<u>5,663</u>
	<u>92,895</u>	<u>54,517</u>

5. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interest on bank loans wholly repayable within five years	<u>6,339</u>	<u>2,902</u>

6. PROFIT BEFORE TAX

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Cost of inventories sold	1,758,848	1,428,269
Depreciation	8,067	7,647
Loss on disposal of items of property, plant and equipment	47	321
	<u> </u>	<u> </u>

7. INCOME TAX

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Group:		
Current – The People's Republic of China (the "PRC")		
Charge for the year	2,590	160
Underprovision in prior years	26	19
	<u> </u>	<u> </u>
Total tax charge for the year	<u>2,616</u>	<u>179</u>

No Hong Kong profits tax has been provided as there are no assessable profits arising in Hong Kong during the year or the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the year (2009: Nil).

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Corporate 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 the 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.

Pursuant to the relevant approval document issued by the PRC tax bureau, Beijing Founder Electronics Co., Ltd. ("Founder Electronics"), a wholly-owned subsidiary of the Company, being registered as a Key Software Enterprise, is granted a tax concession to pay PRC corporate income tax at a preferential rate of 10% on its assessable profits for the years ended 31 December 2009 and 2010.

北京方正奧德計算機系統有限公司 (Beijing Founder Order Computer Systems Co., Ltd.*) ("Founder Order"), a wholly-owned subsidiary of the Company disposed of during the year ended 31 December 2010, was registered as a new and high technology enterprise. Pursuant to the New Corporate Income Tax Law, Founder Order is subject to PRC corporate income tax at a rate of 15% on its assessable profits.

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

The share of tax attributable to associates amounting to approximately HK\$296,000 (2009: HK\$830,000) is included in "Share of profits and losses of associates" in the consolidated income statement.

* For identification purposes only

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of approximately 1,130,300,000 (2009: 1,130,300,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2010 and 2009 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

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. Trade and bills receivables are non-interest-bearing.

An aged analysis of the Group's trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Within 6 months	265,461	149,191
7 to 12 months	15,131	33,833
13 to 24 months	9,953	26,461
Over 24 months	–	1,987
	<hr/>	<hr/>
	290,545	211,472
	<hr/> <hr/>	<hr/> <hr/>

10. TRADE AND BILLS PAYABLES

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Within 6 months	206,281	275,996
7 to 12 months	7,292	57,470
13 to 24 months	1,467	27,365
Over 24 months	2,536	8,082
	<u>217,576</u>	<u>368,913</u>

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

DIVIDEND

No interim dividend was paid during the year and previous year. The Board does not recommend the payment of any final dividend for the year (2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

The Group achieved encouraging results performance with its continuous effort in streamlining the operation. The Group reported a profit attributable to equity holders of the parent for the year ended 31 December 2010 of approximately HK\$62.8 million (year ended 31 December 2009: HK\$23.2 million). The Group's turnover for the current financial year surged by 17.2% to approximately HK\$2,240.7 million (year ended 31 December 2009: HK\$1,912.1 million). Gross profit for the current year increased by 9.9% to HK\$306.6 million compared with last financial year's HK\$278.9 million. However, gross profit ratio decreased slightly from last financial year's 14.6% to 13.7% for the current financial year. Basic and diluted earnings per share for the year was HK5.6 cents (year ended 31 December 2009: HK2.0 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 increased significantly by 22.0% to approximately HK\$918.5 million (year ended 31 December 2009: HK\$752.7 million) while the segment results recorded a profit of approximately HK\$38.7 million (year ended 31 December 2009: HK\$21.8 million). The gross profit ratio for the Media Business for the current financial year decreased slightly to 31.1% from last financial year's 33.1%. With the restructuring and reinforcement of our sales and research and development teams, our ability to monitor the completion status of sales contracts, capture opportunities in the market and provide more value added services to the customers is increased, leading to the significant improvement in turnover and results of the Media Business during the year.

Under the rapid development of internet and mobile internet technology, the needs and habit of readers change significantly. Founder Electronics has achieved good progress in building up the know-how and technology in the internet platform application solutions for digital publishing and therefore enjoyed a commanding position in this industry. The press materials collected from the site by the reporters can be transmitted directly through internet to centralised platform for editing and production of video news to be published in internet and mobile media. In addition, Founder Electronics utilised the video technology and developed the systems for 3G mobile television broadcasting for China Internet Television Station (中國網絡電視台手機台) for the live broadcasting of Asian Olympic Games in 2010.

On 1 February 2010, one of the patents developed by Founder Electronics was awarded as Chinese Outstanding Patented Invention (中國專利獎金獎) by State Intellectual Property Organisation (國家知識產權局). On 22 April 2010, our vice general manager of research and development centre of Founder Electronics obtained the special honor of Invention entrepreneurship award (發明創業獎) for the development of digital workflow system and digital printing system in Chinese inventors Forum (中國發明家論壇) jointly organised by China Invention Association (中國發明協會), State Office of Science and Technology Awards (國家科學技術獎勵工作辦公室), Science Daily (科技日報社) and China Intellectual Property Newspaper (中國知識權報社). Founder Electronics also obtained the special honor of “Special Contribution Awards” (特別貢獻獎) and “Outstanding Organisation in Beijing” (北京賽區優秀組織) in the second session of the National Printing Industry Vocational Skills Competition (第二屆全國印刷行業職業技能大賽) held on 19 December 2010. Founder Electronics was awarded as “2009 Tag Technology Industrial Technology Innovation Award” (2009年度標籤技術產業技術創新獎) organised by China Printing and Printing Equipment Industries Association (中國印刷及設備器材工業協會標籤印刷分會) for the contribution in the development of digital printing technology in 2010. In 2011, Founder Electronics obtained the special honor of “Key Software Enterprise in National Plan Department of 2010” (2010年度國家規劃佈局內重點軟件企業) and a preferential income tax concession pursuant to the certification as a Key New and High Technology Enterprise (重點高新技術企業). Founder Electronics has obtained this honor for three consecutive years since 2008.

(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 increased by 14.0% to approximately HK\$1,321.9 million (year ended 31 December 2009: HK\$1,159.2 million) while its segment results has recorded a profit of approximately HK\$16.7 million (year ended 31 December 2009: a loss of HK\$7.7 million) which included a gain on disposal of Founder Order of HK\$30.2 million.

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. On 18 March 2010, Beijing immunisation management information system (北京市免疫規劃信息管理系統) jointly developed by Founder Order and other systems integration services providers for Beijing Municipal Health Bureau (北京市衛生局) were awarded as Top 10 2009 Application Information Results in Beijing (2009信息北京十大應用成果) by Beijing Municipal Party Committee Propaganda Department (北京市委宣傳部).

The improvement in segment revenue is due to the increase in sales of information products to customers in Hong Kong. With the disposal of Founder Order which is engaged in the Non-Media Business in the PRC as disclosed in “Material acquisitions and disposals of subsidiaries and associates” section below, the Group will allocate more resources on the existing media and non-media businesses so as to generate more profitable results and increase the shareholders’ value.

PROSPECTS

To deal with the business growth, 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 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.

Due to the disposal of Founder Order, as at 31 December 2010, the number of employees of the Group was approximately 1,373 (31 December 2009: 1,456).

FINANCIAL REVIEW

Liquidity, financial resources and capital commitments

During the current financial year, the Group generally financed its operations with internally generated resources and banking facilities provided by its principal bankers in Hong Kong and the PRC. As at 31 December 2010, the Group had interest-bearing bank borrowings of approximately HK\$157.3 million (31 December 2009: HK\$103.8 million), of which nil (31 December 2009: HK\$26.6 million) were fixed interest bearing and HK\$157.3 million (31 December 2009: HK\$77.2 million) were floating interest bearing. The bank borrowings were denominated in Hong Kong Dollars (“HKD”), Renminbi (“RMB”), EURO and United States Dollars (“U.S. dollars”), of which approximately HK\$157.3 million (31 December 2009: HK\$102.7 million) and nil (31 December 2009: HK\$1.1 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 北大方正集團有限公司 (Peking University Founder Group Company Limited*) (“Peking Founder”), a substantial shareholder of the Company, the Government of

the Hong Kong Special Administrative Region under the SME Loan Guarantee Scheme, certain of the Group's land and buildings and investment properties and bank deposits, and certain of the subsidiary of Peking Founder's bank deposits.

At 31 December 2010, the Group recorded total assets of HK\$1,288.1 million which were financed by liabilities of HK\$698.8 million, non-controlling interests of HK\$0.9 million and equity of HK\$588.4 million. The Group's net asset value per share as at 31 December 2010 amounted to HK\$0.52 (31 December 2009: HK\$0.43).

The Group had total cash and bank balances of HK\$306.2 million as at 31 December 2010 (31 December 2009: HK\$425.6 million). After deducting total bank borrowings of HK\$157.3 million (31 December 2009: HK\$103.8 million), the Group recorded net cash and bank balances of HK\$148.9 million as at 31 December 2010 as compared to HK\$321.8 million as at 31 December 2009. 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 31 December 2010, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders' equity, was 0.27 (31 December 2009: 0.21) while the Group's working capital ratio was 1.39 (31 December 2009: 1.25).

At 31 December 2010, 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 Mainland China. 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. Given the appreciation of RMB against HKD during the year under review, no financial instrument was used for hedging purposes. It is expected that the appreciation of RMB would have a favourable impact on the Group.

Contracts

At 31 December 2010, the major contracts in hand for the software development and systems integration business amounted to approximately HK\$308.7 million (31 December 2009: HK\$801.1 million), which are all expected to be completed within one year time.

Material acquisitions and disposals of subsidiaries and associates

On 24 June 2010, Sparkling Idea Limited has entered into the disposal agreement with Founder International Co., Ltd. (方正國際軟件有限公司), a subsidiary of Peking Founder, to dispose of the entire equity interest in Founder Order for a cash consideration of HK\$47.5 million. Details of the disposal are set out in the announcement of the Company dated 24 June 2010 and the circular of the Company dated 14 July 2010. The disposal was completed on 4 November 2010 and a gain of HK\$30.2 million was recorded.

Charges on assets

At 31 December 2010, the Group's land and buildings in Hong Kong of approximately HK\$41.8 million and investment properties of approximately HK\$38.3 million and bank deposits of approximately HK\$13.2 million were pledged to banks to secure banking facilities granted.

Future Plans for Material Investments or Capital Assets

The Group did not have any future plans for material investments or capital assets as at 31 December 2010.

Contingent liabilities

At 31 December 2010, 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 2010.

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 (the "Listing Rules") throughout the year ended 31 December 2010.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the Company's code of conduct and rules governing dealings by all directors in the securities of the Company. Having made specific enquiry of all directors of the Company, they all confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2010.

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, 25 March 2011

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

* *For identification purpose only*