



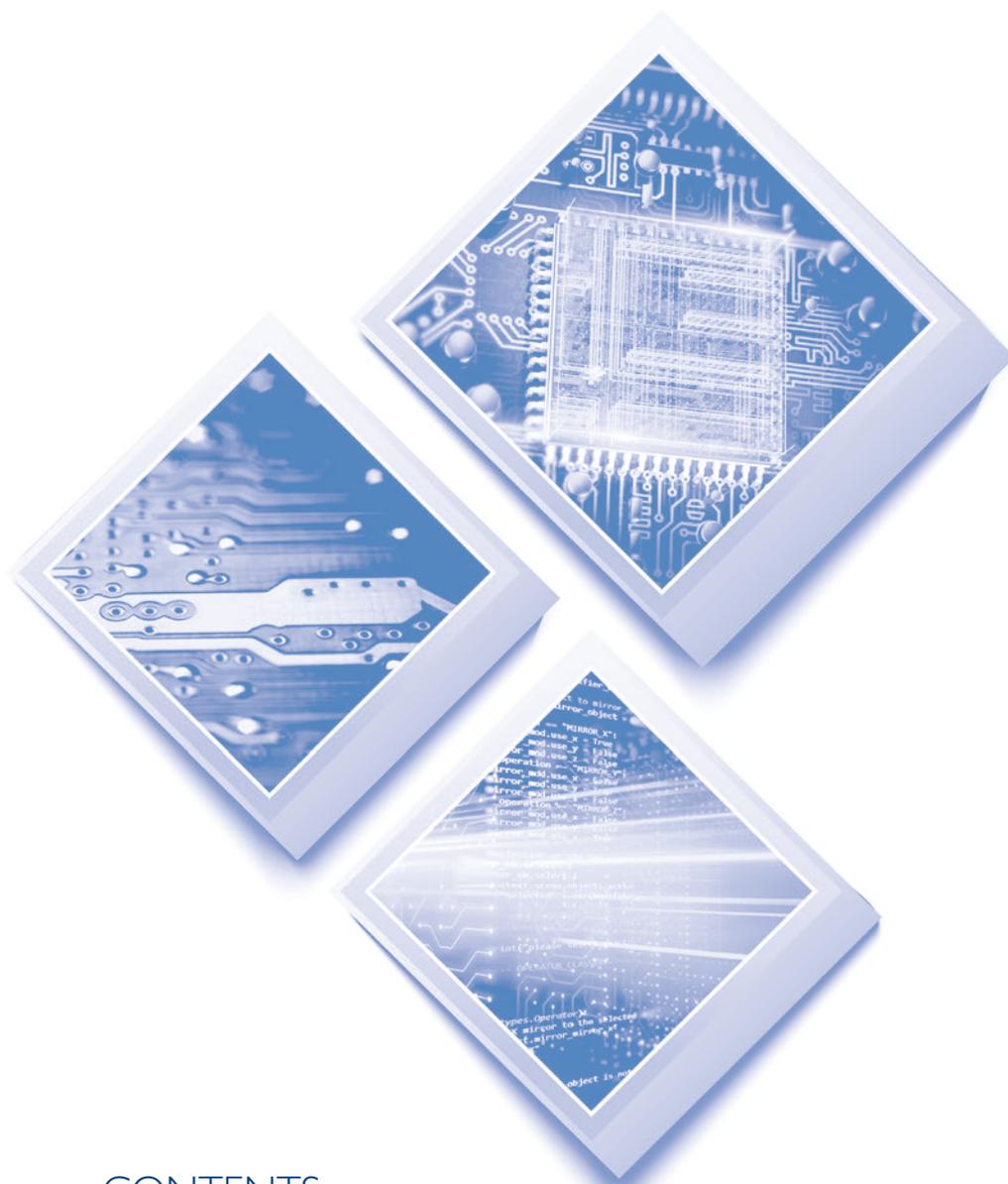
FOUNDER HOLDINGS LIMITED
方正控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 00418

INTERIM REPORT
2018





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors

Mr Cheung Shuen Lung (*Chairman*)

Mr Shao Xing (*President*)

Ms Zuo Jin

Mr Hu Bin

Mr Cui Yun Tao

Ms Liao Hang

Independent non-executive directors

Mr Li Fat Chung

Ms Wong Lam Kit Yee

Mr Chan Chung Kik, Lewis

COMMITTEES

Audit Committee

Mr Li Fat Chung (*Chairman*)

Ms Wong Lam Kit Yee

Mr Chan Chung Kik, Lewis

Remuneration Committee

Mr Li Fat Chung (*Chairman*)

Mr Cheung Shuen Lung

Ms Wong Lam Kit Yee

Nomination Committee

Mr Cheung Shuen Lung (*Chairman*)

Ms Wong Lam Kit Yee

Mr Chan Chung Kik, Lewis

COMPANY SECRETARY

Ms Cheang Yee Wah Eva

AUTHORISED REPRESENTATIVES

Mr Cheung Shuen Lung

Mr Shao Xing

AUDITORS

Ernst & Young

Certified Public Accountants

LEGAL ADVISERS

Freshfields Bruckhaus Deringer

PRINCIPAL BANKERS

Bank of Beijing

China Merchants Bank

DBS Bank (China) Limited

DBS Bank (Hong Kong) Limited

Industrial and Commercial Bank of China (Asia) Limited

REGISTERED OFFICE

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1408, 14th Floor

Cable TV Tower

9 Hoi Shing Road

Tsuen Wan

New Territories

Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

Principal registrar

MUFG Fund Services (Bermuda) Limited

The Belvedere Building

69 Pitts Bay Road

Pembroke HM08

Bermuda

Hong Kong branch share registrar and transfer office

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

LISTING INFORMATION

Main board of The Stock Exchange of Hong Kong Limited

Stock code: 00418

Board lot: 2,000 shares

COMPANY WEBSITE

www.irasia.com/listco/hk/founder

INTERIM RESULTS

The board of directors (the "Board") of Founder Holdings Limited (the "Company") presents the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2018, together with the comparative figures for the corresponding period in 2017. The condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	NOTES	For the six months ended 30 June	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
REVENUE	2	437,752	364,064
Cost of sales		(237,094)	(216,177)
Gross profit		200,658	147,887
Other income and gains	3	36,941	36,976
Selling and distribution expenses		(122,497)	(93,353)
Administrative expenses		(34,084)	(28,324)
Other expenses, net		(85,098)	(57,275)
Finance costs	4	(4,006)	(3,135)
Share of profits/(losses) of associates		127	(320)
PROFIT/(LOSS) BEFORE TAX	5	(7,959)	2,456
Income tax	6	(255)	(1,016)
PROFIT/(LOSS) FOR THE PERIOD		(8,214)	1,440
Attributable to:			
Owners of the parent		(8,212)	1,442
Non-controlling interests		(2)	(2)
		(8,214)	1,440
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted	7	HK(0.7) cents	HK0.1 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	For the six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	(8,214)	1,440
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income/(loss) of associates	(403)	575
Change in fair value of available-for-sale investments	–	4,262
Exchange differences on translation of foreign operations	(903)	14,687
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	(1,306)	19,524
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:		
Tax effect of revaluation surplus of land and buildings	(2,456)	–
Net loss on financial assets at fair value through other comprehensive income	(8,238)	–
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods	(10,694)	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	(12,000)	19,524
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(20,214)	20,964
Attributable to:		
Owners of the parent	(20,211)	20,963
Non-controlling interests	(3)	1
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(20,214)	20,964

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2018

	NOTES	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		354,299	359,419
Investment properties		117,867	117,879
Investment in associates		3,154	3,430
Available-for-sale investments		–	19,718
Financial assets at fair value through other comprehensive income		11,546	–
Deferred tax assets		2,119	2,268
Pledged deposits		6,443	7,201
Total non-current assets		495,428	509,915
CURRENT ASSETS			
Inventories		87,843	103,810
Gross amount due from contract customers		15,622	17,744
Trade and bills receivables	9	186,684	161,384
Prepayments, deposits and other receivables		521,567	511,569
Equity investments at fair value through profit or loss		1,025	2,287
Pledged deposits		7,101	7,396
Cash and cash equivalents		382,329	509,277
Total current assets		1,202,171	1,313,467
CURRENT LIABILITIES			
Trade and bills payables	10	49,953	78,615
Contract liabilities		126,397	–
Gross amount due to contract customers		–	19,247
Other payables and accruals		174,018	358,791
Interest-bearing bank borrowings		164,206	161,119
Tax payable		4,075	5,443
Total current liabilities		518,649	623,215
NET CURRENT ASSETS		683,522	690,252
TOTAL ASSETS LESS CURRENT LIABILITIES		1,178,950	1,200,167

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 JUNE 2018

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
NON-CURRENT LIABILITIES		
Deferred tax liabilities	60,030	61,033
Net assets	1,118,920	1,139,134
EQUITY		
Equity attributable to owners of the parent		
Issued capital	119,975	119,975
Reserves	998,764	1,018,975
	1,118,739	1,138,950
Non-controlling interests	181	184
Total equity	1,118,920	1,139,134

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Attributable to owners of the parent											
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Land and buildings revaluation reserve (Unaudited) HK\$'000	Available-for-sale investment revaluation reserve (Unaudited) HK\$'000	Financial assets at fair value through other comprehensive income revaluation reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	General reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 31 December 2017	119,975	53,597*	867,910*	263,337*	15,834*	-	21,561*	68,276*	(271,540)*	1,138,950	184	1,139,134
Prior year adjustment (note 1.2)	-	-	-	-	(15,834)	5,701	-	-	10,133	-	-	-
Restated balance at 1 January 2018	119,975	53,597*	867,910*	263,337*	-	5,701*	21,561*	68,276*	(261,407)*	1,138,950	184	1,139,134
Loss for the period	-	-	-	-	-	-	-	-	(8,212)	(8,212)	(2)	(8,214)
Share of other comprehensive loss of associates	-	-	-	-	-	-	(434)	31	-	(403)	-	(403)
Tax effect of revaluation surplus of land and buildings	-	-	-	(2,456)	-	-	-	-	-	(2,456)	-	(2,456)
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	(8,238)	-	-	-	(8,238)	-	(8,238)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(902)	-	-	(902)	(1)	(903)
Total comprehensive income/(loss) for the period	-	-	-	(2,456)	-	(8,238)	(1,336)	31	(8,212)	(20,211)	(3)	(20,214)
Transfer of revaluation reserve of land and buildings to accumulated losses	-	-	-	(3,880)	-	-	-	-	3,880	-	-	-
At 30 June 2018	119,975	53,597*	867,910*	257,001*	-	(2,537)*	20,225*	68,307*	(265,739)*	1,118,739	181	1,118,920

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Attributable to owners of the parent										
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Land and buildings revaluation reserve (Unaudited) HK\$'000	Available-for-sale investment revaluation reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	General reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2017	119,975	53,597	867,910	278,396	-	(22,763)	61,585	(385,960)	972,740	179	972,919
Profit for the period	-	-	-	-	-	-	-	1,442	1,442	(2)	1,440
Other comprehensive income for the period:											
Share of other comprehensive income of associates	-	-	-	-	-	575	-	-	575	-	575
Change in fair value of available-for-sale investment	-	-	-	-	4,262	-	-	-	4,262	-	4,262
Exchange differences on translation of foreign operations	-	-	-	-	-	14,684	-	-	14,684	3	14,687
Total comprehensive income for the period	-	-	-	-	4,262	15,259	-	1,442	20,963	1	20,964
Transfer to general reserve	-	-	-	-	-	-	433	(433)	-	-	-
At 30 June 2017	119,975	53,597	867,910	278,396	4,262	(7,504)	62,018	(384,951)	993,703	180	993,883

* These reserve accounts comprise the consolidated reserves of HK\$998,764,000 (31 December 2017: HK\$1,018,975,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

		For the six months ended 30 June	
	NOTES	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		(7,959)	2,456
Adjustments for:			
Finance costs	4	4,006	3,135
Share of losses/(profits) of associates		(127)	320
Interest income	3	(12,873)	(9,744)
Gain on disposal of items of property, plant and equipment	3	(25)	(20)
Fair value loss/(gain) on equity investment at fair value through profit or loss	5	733	(376)
Gain on transfer of intangible assets	3	–	(6,636)
Depreciation	5	8,364	7,463
Amortisation of intangible assets	5	–	1,744
Reversal of impairment of trade receivables	3	(171)	(480)
Impairment/(reversal of impairment) of other receivables	5	2,121	(1,679)
Provision for obsolete inventories	5	5,488	–
		(443)	(3,817)
Decrease/(increase) in inventories		14,195	(16,722)
Decrease/(increase) in gross amount due from contract customers		2,122	(7,020)
Decrease/(increase) in trade and bills receivables		(25,097)	11,725
Increase in prepayments, deposits and other receivables		(12,701)	(27,186)
Decrease in trade and bills payables		(28,662)	(4,960)
Increase/(decrease) in contract liabilities		2,661	(7,683)
Decrease in other payables and accruals		(80,284)	(77,938)
Exchange differences		(1,003)	327
Cash used in operations		(129,212)	(133,274)
Bank interest received		2,357	1,302
Interest paid		(4,006)	(3,135)
Mainland of the People's Republic of China ("Mainland China" or the "PRC") corporate income tax paid		(4,937)	(5,439)
Net cash flows used in operating activities		(135,798)	(140,546)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	For the six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Net cash flows used in operating activities	(135,798)	(140,546)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	10,809	10,674
Purchases of items of property, plant and equipment	(7,437)	(5,199)
Disposal of equity investments at fair value through profit or loss	529	–
Proceeds from capital reduction of associates	–	2,008
Proceeds from disposal of items of property, plant and equipment	212	38
Proceeds from disposal of intangible assets	–	8,671
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired	(46,593)	1,022
Advances of entrusted loans to related companies	(441,491)	(424,020)
Repayment of entrusted loans from related companies	441,780	257,600
Decrease/(increase) in pledged deposits	1,053	(1,701)
Net cash flows used in investing activities	(41,138)	(150,907)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	71,162	52,487
Repayment of bank loans	(67,986)	(51,544)
Increase in trust receipt loans	–	2,977
Net cash flows from financing activities	3,176	3,920
NET DECREASE IN CASH AND CASH EQUIVALENTS	(173,760)	(287,533)
Cash and cash equivalents at beginning of period	475,615	602,960
Effect of foreign exchange rate changes, net	219	11,713
CASH AND CASH EQUIVALENTS AT END OF PERIOD	302,074	327,140

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	For the six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
<hr/>		
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	240,225	248,486
Non-pledged time deposits	142,104	79,577
<hr/>		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	382,329	328,063
Non-pledged time deposits with original maturity of more than three months when acquired	(80,255)	(923)
<hr/>		
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	302,074	327,140
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1. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

1.1. Basis of preparation

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2018 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, HKASs and Interpretations).

1.2. New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, HKFRS 15 *Revenue from Contracts with Customers* and HKFRS 9 *Financial Instruments* that require restatement of previous financial statements. As required by HKAS 34, the nature and effect of these changes are disclosed below.

The following amendments and interpretations are applied for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HK(IFRIC) – Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

1. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(continued)*

1.2. New standards, interpretations and amendments adopted by the Group *(continued)*

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 *Revenue from Contracts with Customers* supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method of adoption.

The Group's principal activities consist of the sale of software development, systems integration and distribution of information products. The impacts arising from the adoption of HKFRS 15 on the Group are summarised as follows:

- (a) **Financing component of accounting receivables**
The Group offers exquisite and high quality Founder Font library copyrights for customers. Currently, when the Font library copyright becomes effective, the Group recognises the entire contract amount into revenue as no additional cost will incur in subsequent periods. Upon the adoption of HKFRS 15, when determining the revenue amount, the Group adjusts the contract sum after taking into consideration of the effects of the time value of money, as there is an implicit financing benefit provided to the customer with a contract with long payment term. The revenue from contracts with long payment terms was recognised at a point when control of the asset was transferred to the customer, generally upon delivery of the copyrights, and considering the time value of money, the significant financing component was recognised.
- (b) **Presentation and disclosure requirements**
As required for the condensed interim financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The disclosure on disaggregated revenue is set out in note 2 to the condensed consolidated interim financial statements.

1. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(continued)*

1.2. New standards, interpretations and amendments adopted by the Group *(continued)*

HKFRS 15 Revenue from Contracts with Customers (continued)

(c) Presentation of contracts and liabilities

Reclassification were made to be consistent with the terminology used under HKFRS 15.

The obligation to transfer goods and services to a customer for which the entity has received consideration or issued progress billing, was recognised as receipt in advance, which was included in other payables and accruals, and gross amount due to contract customers. They are reclassified to contract liabilities under HKFRS 15.

Impact on the statement of financial position (increase/(decrease)) as at 31 December 2017:

	HK\$'000
<hr/>	
Liabilities	
Gross amount due to contract customers	(19,247)
Other payables and accruals	(104,489)
Contract liabilities	123,736
<hr/>	
Total current liabilities	–
<hr/>	
Total liabilities	–
<hr/>	

There is no material impact on the statement of cash flows and basic and diluted earnings/loss per share.

1. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(continued)*

1.2. New standards, interpretations and amendments adopted by the Group *(continued)*

HKFRS 9 Financial Instruments

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group adopted HKFRS 9 using the modified retrospective method of adoption.

Classification and measurement

Equity instruments at fair value through other comprehensive income ("FVOCI"), with no recycling of gains or losses to profit or loss on derecognition, only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its quoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under HKFRS 9. Under HKAS 39, the Group's quoted equity instruments were classified as available-for-sale investment.

The accumulated fair value gain of HK\$15,834,000 and accumulated impairment loss of HK\$10,133,000 were reclassified from the available-for-sale investment revaluation reserve and accumulated losses to the financial assets at FVOCI revaluation reserve at 1 January 2018.

Impact on the statement of financial position (increase/(decrease)) as at 31 December 2017:

	HK\$'000
Assets	
Available-for-sale investments	(19,718)
Financial assets at fair value through other comprehensive income	19,718
Total non-current assets	–
Total assets	–
Equity	
Accumulated losses	10,133
Available-for-sale reserve	(15,834)
Financial assets at fair value through other comprehensive income reserve	5,701
Total Equity	–

2. REVENUE AND OPERATING SEGMENT INFORMATION

The disaggregation of the Group's revenue from contracts with customers is set out below:

	30 June 2018 (Unaudited) HK\$'000
Type of goods or service	
Sale of information products and software	350,438
Sale of software development and system integration service	87,314
Total revenue from contracts with customers	437,752
Geographical markets	
Mainland China	435,173
Hong Kong	2,544
Others	35
Total revenue from contracts with customers	437,752
Timing of revenue recognition	
Goods transferred at a point in time	350,438
Services transferred over time	87,314
Total revenue from contracts with customers	437,752

During the period, for management purposes, the Group combined its four reportable segments namely, (i) software development, systems integration and information products distribution for media business segment, (ii) information products distribution for non-media business segment, (iii) corporate segment, and (iv) "others" segment, into one reportable segment, which is the software development, systems integration and information products distribution.

3. OTHER INCOME AND GAINS

	NOTE	For the six months ended 30 June	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Bank interest income		2,357	1,302
Other interest income		10,516	8,442
Government grants		22,199	17,523
Fair value gain on equity investments at fair value through profit or loss		–	376
Gain on disposal of items of property, plant and equipment		25	20
Gain on transfer of intangible assets	12(l)(b)	–	6,636
Foreign exchange differences, net		269	1,527
Reversal of impairments of trade receivables		171	480
Others		1,404	670
		36,941	36,976

4. FINANCE COSTS

	For the six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Interest on bank loans	4,006	3,135

5. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Cost of inventories sold	191,196	178,960
Depreciation	8,364	7,463
Amortisation of intangible assets	–	1,744
Impairment/(reversal of impairment) of other receivables	2,121	(1,679)
Fair value loss/(gain) on equity investment at fair value through profit or loss	733	(376)
Provision for obsolete inventories	5,488	5,561

6. INCOME TAX

	For the six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Current – Hong Kong		
Charge for the period	847	286
Current – Mainland China		
Charge for the period	1,053	705
Underprovision in prior year	1,669	1,849
Deferred	(3,314)	(1,824)
Total tax charge for the period	255	1,016

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period (six months ended 30 June 2017: 16.5%).

PRC corporate income tax represents the tax charged on the estimated assessable profits arising in Mainland China. In general, the PRC subsidiaries of the Group are subject to the PRC corporate income tax rate of 25% except for one PRC subsidiary which is entitled to a preferential tax rate at 10% and one PRC subsidiary which is entitled to a preferential tax rate at 15%.

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

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

The calculation of basic earnings/(loss) per share amounts is based on the unaudited profit/(loss) for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of approximately 1,199,747,000 (six months ended 30 June 2017: 1,199,747,000) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2018 and 2017.

8. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

9. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Trade and bills receivables are settled in accordance with the terms of the respective contracts. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivables balances. Trade and bills receivables are non-interest-bearing.

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

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Within 6 months	140,934	134,936
7 to 12 months	29,993	8,590
13 to 24 months	5,468	7,552
Over 24 months	10,289	10,306
	186,684	161,384

Included in the Group's trade and bills receivables are amounts due from subsidiaries of 北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder"), a substantial shareholder of the Company, of approximately HK\$15,222,000 (31 December 2017: HK\$12,495,000), which are repayable on similar credit terms to those offered to the major customers of the Group.

* For identification purposes only

10. TRADE AND BILLS PAYABLES

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

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Within 6 months	36,609	36,991
7 to 12 months	5,162	11,305
13 to 24 months	2,255	16,533
Over 24 months	5,927	13,786
	49,953	78,615

Included in the Group's trade and bills payables are amounts due to subsidiaries of Peking Founder of approximately HK\$843,000 (31 December 2017: HK\$1,058,000), which are repayable on similar credit terms to those offered by the related companies to their major customers.

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

11. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities (31 December 2017: Nil).

12. RELATED PARTY TRANSACTIONS

(I) Transactions with related parties

- (a) In addition to the related party transactions and balances disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the period:

	NOTES	For the six months ended 30 June	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Management fee income received from Peking University Resources (Holdings) Company Limited ("PKU Resources"), a subsidiary of Peking Founder, and its subsidiary	(i)	1,001	897
Handling fee income received from a subsidiary of Peking Founder	(i)	–	60
Interest income from 北大方正信息產業集團有限公司 (Peking University Founder Information Industry Group Co., Ltd. *) ("PKU Founder Information"), the substantial shareholder of the Company	(ii)	10,426	3,615
Sales of goods to Peking Founder Group	(i)	1,000	1,080
Banking facility guarantees given by Peking Founder	(iii)	226,480	260,142
Rental and management expense paid to a subsidiary of Peking Founder Group	(iv)	8,298	7,403
Service fee payable to PKU Founder Information	(v)	700	–
Purchase of goods from Peking Founder	(i)	–	198

Notes:

- (i) These transactions were conducted on the terms agreed between the parties involved.
- (ii) The interest income was attributable to the entrusted loans provided to PKU Founder Information, which was unsecured and interest-bearing at rates of 7.0% per annum (2017: 6.3% to 7.0% per annum).
- (iii) The banking facility guarantees of HK\$190,720,000 (31 December 2017: HK\$167,160,000) were given to PRC banks for credit facilities granted to subsidiaries of the Company which were utilised to the extent of approximately HK\$127,657,000 at 30 June 2018 (31 December 2017: HK\$119,997,000).
- (iv) The expenses were attributable to the lease agreement and management agreement with a subsidiary of Peking Founder to lease the premises in Beijing.
- (v) The sharing of the administrative service fee between the Group and PKU Founder Information was conducted on a cost basis.
- * For identification purposes only

12. RELATED PARTY TRANSACTIONS *(continued)*

(I) Transactions with related parties *(continued)*

- (b) On 28 December 2016, Beijing Founder Electronics Co., Ltd. ("Founder Electronics") entered into a technology transfer agreement with PKU Founder Information, pursuant to which PKU Founder Information agreed to acquire, and Founder Electronics agreed to sell, certain intellectual property rights at a consideration of approximately RMB7,630,000 (equivalent to approximately HK\$8,671,000). The transfer was completed in 2017, and a disposal gain of approximately HK\$6,636,000 was recognised in the consolidated statement of profit or loss.

The above related party transactions for the current year also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(II) Outstanding balances with related parties

- (a) As at 30 June 2018, the outstanding balance of entrusted loans and related interest receivables from Peking Founder Group amounted to approximately HK\$441,040,000 (31 December 2017: HK\$441,780,000), and HK\$698,000 (31 December 2017: HK\$991,000), respectively. The entrusted loans are unsecured, bear at rates of 7.0% per annum and repayable within one year. In addition, included in prepayments, deposits and other receivables were balances due from Peking Founder Group of approximately HK\$5,726,000 (31 December 2017: HK\$6,415,000), and included in other payables and accruals were balances due to Peking Founder Group of approximately HK\$14,943,000 (31 December 2017: HK\$15,315,000). These balances are unsecured, interest-free and have no fixed terms of repayment.
- (b) Details of the Group's trade balances with its related companies as at the end of the reporting period are disclosed in notes 9 and 10 to the condensed consolidated interim financial statements.

(III) Compensation of key management personnel of the Group

In the opinion of the directors, the directors of the Company represented the key management personnel of the Group. Compensation paid to directors during the period is as follows:

	For the six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Short term employee benefits	2,381	2,120
Pension scheme contributions	37	34
Total compensation paid to key management personnel	2,418	2,154

13. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below, is an overview of financial assets, other than cash and pledged deposits, held by the Group as at 30 June 2018 and 31 December 2017:

	As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
Debt instruments at amortised cost:		
Trade and bills receivables and deposits and other receivables	230,909	204,562
Equity instruments at FVOCI		
Quoted equity shares	11,546	19,718
Financial assets at fair value through profit or loss		
Quoted equity shares	–	569
Derivatives not designated as hedging instruments:		
Warrants	1,025	1,718
Total financial assets	243,480	226,567
Total current assets	231,934	206,849
Total non-current assets	11,546	19,718

Set out below is an overview of financial liabilities held by the Group as at 30 June 2018 and 31 December 2017:

	As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
Financial liabilities at amortised cost:		
Trade and other payables	167,250	259,866
Current interest bearing loans and borrowings:		
Bank loan	164,206	161,119
Total current liabilities	331,456	420,985

14. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair value, are as follows:

	Carrying amounts		Fair values	
	As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000	As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
Financial assets				
Pledged deposits, non-current portion	6,443	7,201	5,812	6,553
Equity investments at fair value through profit or loss	1,025	2,287	1,025	2,287
Financial assets at FVOCI	11,546	–	11,546	–
Available-for-sale investments	–	19,718	–	19,718
	19,014	29,206	18,383	28,558

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals and interest-bearing bank borrowings, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair value of non-current portion of pledged deposits has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for non-current portion of pledged deposits as at 30 June 2018 was assessed to be insignificant.

The fair value of listed financial assets at fair value through other comprehensive income and listed equity investments at fair value through profit or loss are based on quoted market prices.

14. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2018

	Fair value measurement using			Total (Unaudited) HK\$'000
	Quoted prices in active markets (Level 1) (Unaudited) HK\$'000	Significant observable inputs (Level 2) (Unaudited) HK\$'000	Significant unobservable inputs (Level 3) (Unaudited) HK\$'000	
Financial assets at FVOCI:				
Equity investments	11,546	–	–	11,546
Equity investments at fair value through profit or loss	1,025	–	–	1,025
	12,571	–	–	12,571

As at 31 December 2017

	Fair value measurement using			Total (Audited) HK\$'000
	Quoted prices in active markets (Level 1) (Audited) HK\$'000	Significant observable inputs (Level 2) (Audited) HK\$'000	Significant unobservable inputs (Level 3) (Audited) HK\$'000	
Available-for-sale investments	19,718	–	–	19,718
Equity investments at fair value through profit or loss	2,287	–	–	2,287
	22,005	–	–	22,005

During the six months ended 30 June 2018 and the year ended 31 December 2017, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

14. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy *(continued)*

Assets for which fair values are disclosed:

As at 30 June 2018

	Fair value measurement using			Total (Unaudited) HK\$'000
	Quoted prices in active markets (Level 1) (Unaudited) HK\$'000	Significant observable inputs (Level 2) (Unaudited) HK\$'000	Significant unobservable inputs (Level 3) (Unaudited) HK\$'000	
Pledged deposit, non-current portion	–	5,812	–	5,812

As at 31 December 2017

	Fair value measurement using			Total (Audited) HK\$'000
	Quoted prices in active markets (Level 1) (Audited) HK\$'000	Significant observable inputs (Level 2) (Audited) HK\$'000	Significant unobservable inputs (Level 3) (Audited) HK\$'000	
Pledged deposit, non-current portion	–	6,553	–	6,553

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

The Group reported an unaudited consolidated loss attributable to owners of the parent for the six months ended 30 June 2018 of approximately HK\$8.2 million (six months ended 30 June 2017: profit of HK\$1.4 million). The Group's turnover for the current interim period increased by 20.2% to approximately HK\$437.8 million (six months ended 30 June 2017: HK\$364.1 million) due to increase in sales of systems integration and sales of font library. Gross profit for the current interim period increased by 35.7% to approximately HK\$200.7 million (six months ended 30 June 2017: HK\$147.9 million). Gross profit ratio increased from 40.6% for the last interim period to 45.8% for the current interim period as a result of increase in proportion of sales of software and technical services with higher gross profit margin.

The decline in the Group's operating results for the current interim period attributable to the equity holders of the parent was mainly due to the net effect of:

- a. an increase in the gross profit by 35.7% to approximately HK\$200.7 million (six months ended 30 June 2017: HK\$147.9 million);
- b. one-off gain on disposal of intangible assets of approximately HK\$6.6 million in prior period; and
- c. an increase in total selling and distribution expenses, administrative expenses and other expenses, net by 35.1% to approximately HK\$241.7 million (six months ended 30 June 2017: HK\$179.0 million) as a result of increase in staff cost for the development of new products and business.

Basic and diluted losses per share attributable to equity holders of the parent for the six months ended 30 June 2018 were HK0.7 cents (six months ended 30 June 2017: earnings of HK0.12 cents).

OPERATING REVIEW AND PROSPECTS

Font Library Business

The font library, as a Chinese culture carrier, has been receiving wider recognition attributable to cultural market and digital creative industry. The increasing demand for personalised fonts in the design community has made the value of fonts recognised by more and more enterprises and the public. Meanwhile, with a gradual improvement in the copyright environment in China, enterprises and individuals in developed coastal areas have developed a strong awareness of copyright issues, but there are still different opinions regarding the marketing model of fonts in the legal sector and society. The competition in the industry has intensified with the influx of new font design companies and individual font designers into the font library market.

In the first half of 2018, 北京北大方正電子有限公司 (Beijing Founder Electronics Co., Ltd.*) ("Founder Electronics"), the wholly-owned subsidiary of the Company, continued to consolidate its absolute leading position in the font library market by introducing new fonts that leads a new trend in the font industry. Meanwhile, through convening font release conference, collaboration with famous universities and designers in China, and holding lectures and salons on font design, Founder Electronics has made font design knowledge more popular in the whole society to attract numerous young font designers and design lovers.

- (1) Legal aspect: We actively maintain the intellectual property rights of our fonts through legal channels and promote the font copyright through various means to convey the value of fonts.

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- (2) Marketing and service aspect: We have stepped up in promoting the positive publicity by establishing cooperation relationships with designers, studios and advertising companies. Followed the completion of development of a PC client-end “Font +” in the first half of 2018, we have established a comprehensive service system covering the official website of Founder font library, Founder font library APP, and a PC client-end “Font +”.
- (3) Font production aspect: In addition to the establishment of its own exquisite font library, we also strengthened its external cooperation to join hands with independent font designers, medium-to-small font library manufacturers and other manufacturers in Hong Kong, Taiwan, Japan and English-speaking countries, including establishment of comprehensive cooperation with Monotype, the largest font design manufacturers of western languages in the world, with a view to provide clients with complete font solutions that have the most abundant fonts and support the most languages. We have completed the design of 32 kinds of more than 100 fonts in the first half of 2018.

Printing business

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

Despite the adverse market environment, 北京方正印捷數碼技術有限公司 (Beijing Founder EasiPrint Digital Technical Co., Ltd.*) (“Founder EasiPrint”), the wholly-owned subsidiary of the Company, generally maintained a sustainable business growth by driving CTP sales through establishment of a system for printing for People’s Education Press. It strengthened cooperation with manufactures and partners, controlled the inventories, and strived for support from manufactures.

In the first half of 2018, Founder EasiPrint continued to focus on investing in the printing on demand (“POD”) project and made a remarkable progress. It entered into agreements with three sample factories with respect to the inkjet printing production lines and completed the installment of five production lines. Three production lines for one of the sample factories have already been in operation in their full capacity and the production lines for the other two factories have been put into operation as scheduled. The ancillary cutting lines have broadly completed the design, production and delivery and reached the planned requirement. Founder has improved the capability of its core software, “RIP” and “ElecRoc (暢流)”.

Since the establishment of Hongyan POD Alliance (鴻雁POD聯盟) in May 2017, more and more publishers and printers have become the members of the alliance and cooperated with Founder Electronics in hardware and software, which made them pioneers in the industry. In the annual meeting of Hongyan POD Alliance in 2018, 7 publishers, 2 private booksellers, and 1 education and training institute entered into cooperation contracts with Founder Electronics with respect to Founder Yunshu (方正雲舒), which is a cloud platform for producing books and magazines and an application of digital technology for producing books. 3 private model printers entered into cooperation contracts with Founder Electronics with respect to digital inkjet production lines.

Media Business

The traditional newspaper and publication industry remained subdued, recording a decline in the overall results with the newspaper advertising revenue in free fall over the last few years. Meanwhile, with the top-down requirements such as the policies emphasizing the development of mainstream media, the comprehensive integration of media in the newspaper industry, the strategy to take mobile media as priority, the breakthrough in terms of reform of collecting, editing and publishing as well as the implementation of the “centralized kitchen (中央廚房)” leading project, and under the government’s vigorous promotion of policies in the publishing areas such as “Demonstration of Application Service in the Industrialization of Digital Publication (數字出版產業化應用服務示範工程)”, “Promotion of Nationwide Digital Reading (全民數字閱讀推廣工程)” and “Promotion of Digital Publication in respect of Ethnic Group Culture (少數民族文化數字出版促進工程)”, the media business has embraced new market opportunities.

* For identification purposes only

Founder Electronics actively worked on the integration of media and the technology of large-scale data and rearranged “Founder Solution for Hyper-integration of Media”, “Media Cloud Solution”, “Publication Services of Large-scale Data”, and “Knowledge Service Solution”. Meanwhile, Founder actively explored and propelled the transformation of the SaaS service including the SaaS service for media large-scale data and the SaaS service platform for Xinkong Cloud pan-media, extending its services from solutions of software products to data services and SaaS services, with a view to laying a solid foundation for sustainable development in the future.

In respect of sales, Founder Electronics actively sought for the cooperation with leading companies in the media publishing area, exerting all efforts in expanding its market share in the areas of new media, pan-media and pan-publishing. Meanwhile, it maintained its strengths in the establishment of platforms for integrated media in the newspaper industry at the province level as well as at the level of provincial capitals and cities. “Founder Solution for Hyper-integration of Media” was adopted by Malaysia Sin Chew Media Corporation, the largest overseas Chinese media; “Founder Zhihui (方正智匯) Knowledge Service Solution” was adopted to conduct the project of “Cihai (辭海) Cloud Platform for Digital Publication” of Shanghai Cishu Press to help revise the seventh edition of Cihai and establish its online version. “Mobile Collecting and Editing APP” has been launched in various app stores. “Flying 7.1 version” has been released to support the diversification of presses and newspaper offices and the production of interactive publications for H5 integrated media.

Internet Information Business

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

PROSPECTS

To deal with the business growth, the management of the Group will closely monitor changes in the PRC’s economy and its IT market. The Group will continue the development of innovative solutions and provide our customers with more cost-effective products and solutions to meet our customers’ demands for enhancing their competitiveness. In addition, the Group will closely monitor the performance of each business sector to achieve effective cost control and maximise shareholders’ value.

EMPLOYEES

The Group has developed its human resources policies and procedures based on performance and merit. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance-related basis within the general framework of the Group’s salary and bonus systems. The Group provides on-the-job training to its employees in addition to retirement benefit schemes and medical insurance. The Group operates share option scheme for the purpose of providing incentives and rewards to eligible directors and employees of the Group who contribute to the success of the Group’s operations. The Group had not granted any share options to its eligible directors and employees during the current interim period.

As at 30 June 2018, the number of employees of the Group was approximately 1,205 (31 December 2017: 1,278).

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 2018, the Group had interest-bearing bank borrowings of approximately HK\$164.2 million (31 December 2017: HK\$161.1 million), of which HK\$124.2 million (31 December 2017: HK\$121.1 million) were fixed interest bearing and HK\$40.0 million (31 December 2017: HK\$40.0 million) were floating interest bearing. The bank borrowings were denominated in Hong Kong Dollars ("HKD"), Renminbi ("RMB") and United States Dollars ("U.S. dollars"), and were repayable within one year. The Group's banking facilities were secured by corporate guarantees given by the Company, 北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder") (a substantial shareholder of the Company), PKU Founder Group Finance Co., Ltd. (a subsidiary of Peking Founder), certain of the Group's land and buildings, investment properties and bank deposits.

As at 30 June 2018, the Group recorded total assets of HK\$1,697.6 million which were financed by liabilities of HK\$578.7 million, non-controlling interests of HK\$0.2 million and equity of HK\$1,118.7 million. The Group's net asset value per share as at 30 June 2018 amounted to HK\$0.93 (31 December 2017: HK\$0.95). The Group had total cash and bank balances of HK\$389.4 million as at 30 June 2018 (31 December 2017: HK\$516.7 million). After deducting total bank borrowings of HK\$164.2 million (31 December 2017: HK\$161.1 million), the Group recorded net cash and bank balances of HK\$225.2 million as at 30 June 2018 as compared to HK\$355.6 million as at 31 December 2017. The Group's borrowings, which are subject to little seasonality, consist of mainly short term bank loans and trust receipt loans. As at 30 June 2018, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders' equity, was 0.15 (31 December 2017: 0.14) while the Group's working capital ratio was 2.32 (31 December 2017: 2.11).

As at 30 June 2018, the Group did not have any material capital expenditure commitments.

Treasury policies

The Group adopts conservative treasury policies and controls tightly over its cash and risk management. The Group's cash and cash equivalents are held mainly in HKD, RMB and U.S. dollars. Surplus cash is generally placed in short term deposits denominated in HKD, RMB and U.S. dollars.

Exposure to fluctuations in exchange rates and related hedges

The Group operates mainly in Hong Kong and the PRC. For the operations in Hong Kong, most of the transactions are denominated in HKD and U.S. dollars. The exchange rate of U.S. dollars against HKD is relatively stable and the related currency exchange risk is considered minimal. For the operations in Mainland China, most of the transactions are denominated in RMB. The conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange controls promulgated by the Chinese government. The Group has minimal exposure to exchange rate fluctuation. No financial instrument was used for hedging purposes. The Group will closely monitor the currency exchange risk of RMB in the near term as a result.

Contracts

As at 30 June 2018, the major contracts for the software development and systems integration business amounted to approximately HK\$422.3 million (31 December 2017: HK\$394.0 million), which are all expected to be completed within one year.

* For identification purposes only

Material acquisitions and disposals of subsidiaries, associates and joint ventures

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2018.

Charges on assets

As at 30 June 2018, the Group's land and buildings in Hong Kong of approximately HK\$84.5 million and investment properties of approximately HK\$108.6 million and bank deposits of approximately HK\$7.1 million were pledged to banks to secure banking facilities granted.

Future Plans for Material Investments or Capital Assets

The Group did not have any concrete future plans for material investments or capital assets as at 30 June 2018. However, the Group always seeks for new investment opportunities in the software development and systems integration business to broaden the revenue and profit base of the Group and enhance shareholders' value in long term.

Contingent liabilities

As at 30 June 2018, the Group did not have any significant contingent liabilities.

OTHER INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2018, the interests and short positions of the directors in the share capital, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

Name of director	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr Shao Xing	Directly beneficially owned	5,071,556	0.42

Save as disclosed above, as at 30 June 2018, none of the directors had registered an interest or short position in the shares, underlying shares or debenture of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2018, the following interest of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO (other than a director or chief executive of the Company):

Long positions:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
北大資產經營有限公司 (Peking University Asset Management Company Limited*)	1	Through a controlled corporation	367,179,610	30.60
北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder")	2	Through a controlled corporation	367,179,610	30.60
北大方正信息產業集團有限公司 (Peking University Founder Information Industry Group Co., Ltd. *)		Directly beneficially owned	367,179,610	30.60

* For identification purposes only

OTHER INFORMATION

Notes:

1. Peking University Asset Management Company Limited was deemed to be interested in the 367,179,610 shares under the SFO by virtue of its interest in Peking Founder.
2. Peking Founder was deemed to be interested in the 367,179,610 shares under the SFO by virtue of its interest in Peking University Founder Information Industry Group Co., Ltd.

Save as disclosed above, as at 30 June 2018, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares, underlying shares and debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2018.

CORPORATE GOVERNANCE

The Company has complied with all code provisions of the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the six months ended 30 June 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUER

The Company has adopted a model code of conduct regarding securities transactions by directors of the Company on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions as set out in Appendix 10 of the Listing Rules. Having made specific enquiry by the Company, all directors have confirmed that they have complied with the Model Code regarding directors' securities transactions throughout the accounting period covered by the interim report.

AUDIT COMMITTEE

The Audit Committee has reviewed this interim report including the accounting principles adopted by the Group, with the Company's management.

CHANGES IN INFORMATION OF DIRECTOR(S)

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of director(s) of the Company subsequent to the date of the 2017 annual report of the Company is set out below:

Mr Chan Chung Kik, Lewis ("Mr Chan"), the independent non-executive director of the Company, resigned as an independent non-executive director of Shandong Xinhua Pharmaceutical Company Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 00719) and the Shenzhen Stock Exchange (Stock Code: 000756), with effect from 29 June 2018. Mr Chan was appointed as an independent non-executive director of Eternity Technology Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 01725), with effect from 25 July 2018.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

BOARD OF DIRECTORS

As at the date of this report, the board of directors of the Company comprises executive directors of Mr Cheung Shuen Lung (Chairman), Mr Shao Xing (President), Ms Zuo Jin, Mr Hu Bin, Mr Cui Yun Tao and Ms Liao Hang, and the independent non-executive directors of Mr Li Fat Chung, Ms Wong Lam Kit Yee and Mr Chan Chung Kik, Lewis.

By Order of the Board
FOUNDER HOLDINGS LIMITED
Cheung Shuen Lung
Chairman

Hong Kong
28 August 2018

* For identification purpose only