



INTERIM

REPORT

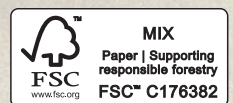


FOUNDER HOLDINGS LIMITED
方正控股有限公司

(Incorporated in Bermuda with limited liability)

Stock code: 00418

2023





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors

Mr. Qi Zi Xin (*Chairman*)
 Mr. Shao Xing (*President*)
 Mr. Wang Jin Chao
 Mr. Hu Bin
 Mr. Zhang Jian Guo
 Ms. Wu Jing

Independent non-executive directors

Mr. Chan Chung Kik, Lewis
 Mr. Lai Nga Ming, Edmund
 Mr. Chak Chi Shing

COMMITTEES

Audit Committee

Mr. Chan Chung Kik, Lewis (*Chairman*)
 Mr. Lai Nga Ming, Edmund
 Mr. Chak Chi Shing

Remuneration Committee

Mr. Lai Nga Ming, Edmund (*Chairman*)
 Mr. Qi Zi Xin
 Mr. Chak Chi Shing

Nomination Committee

Mr. Qi Zi Xin (*Chairman*)
 Mr. Chan Chung Kik, Lewis
 Mr. Lai Nga Ming, Edmund

COMPANY SECRETARY

Ms. Cheang Yee Wah Eva

AUTHORISED REPRESENTATIVES

Mr. Qi Zi Xin
 Mr. Shao Xing

AUDITORS

Ernst & Young
 Certified Public Accountants
 Registered Public Interest Entity Auditor

LEGAL ADVISER

Freshfields Bruckhaus Deringer LLP

REGISTERED OFFICE

Victoria Place, 5th Floor
 31 Victoria Street
 Hamilton HM 10
 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 and transfer office

MUFG Fund Services (Bermuda) Limited
 4th floor North
 Cedar House
 41 Cedar Avenue
 Hamilton HM 12
 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 interim condensed consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2023, together with the comparative figures for the corresponding period in 2022. The interim condensed consolidated financial statements have not been audited, but have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2023

	NOTES	For the six months ended 30 June	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
REVENUE	3	373,048	323,193
Cost of sales		(198,957)	(169,181)
Gross profit		174,091	154,012
Other income and gains	4	22,351	20,749
Selling and distribution expenses		(99,740)	(110,336)
Administrative expenses		(35,428)	(40,189)
Other expenses, net		(88,773)	(88,739)
Finance costs	5	(89)	(165)
Share of losses of associates		(66)	(31)
LOSS BEFORE TAX	6	(27,654)	(64,699)
Income tax credit	7	767	1,627
LOSS FOR THE PERIOD		(26,887)	(63,072)
Attributable to:			
Owners of the parent		(26,887)	(63,072)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted	8	HK(2.2) cents	HK(5.3) cents



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	(26,887)	(63,072)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of associates	(16)	(294)
Exchange differences on translation of foreign operations	(22,360)	(28,354)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(22,376)	(28,648)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Changes in fair value of equity investments at fair value through other comprehensive income	(54)	(1,184)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	(54)	(1,184)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(22,430)	(29,832)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(49,317)	(92,904)
Attributable to:		
Owners of the parent	(49,317)	(92,904)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2023

	NOTES	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		242,122	256,312
Investment properties		138,679	138,914
Right-of-use assets		2,836	4,610
Investment in associates		2,384	2,466
Equity investments at fair value through other comprehensive income		310	383
Pledged deposit		4,073	4,284
Total non-current assets		390,404	406,969
CURRENT ASSETS			
Inventories		120,502	88,434
Trade and bills receivables	10	151,520	180,391
Contract assets		14,749	17,196
Prepayments, other receivables and other assets		53,276	55,627
Financial assets at fair value through profit or loss		1,045	1,081
Cash and cash equivalents		629,128	733,315
Pledged deposits		1,037	721
Total current assets		971,257	1,076,765
CURRENT LIABILITIES			
Trade and bills payables	11	56,210	55,597
Contract liabilities		107,747	71,887
Other payables and accruals		150,853	256,179
Lease liabilities		2,487	3,246
Tax payable		328	330
Total current liabilities		317,625	387,239
NET CURRENT ASSETS		653,632	689,526
TOTAL ASSETS LESS CURRENT LIABILITIES		1,044,036	1,096,495



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 JUNE 2023

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
NON-CURRENT LIABILITIES		
Lease liabilities	110	1,102
Deferred tax liabilities	43,175	45,325
Total non-current liabilities	43,285	46,427
Net assets	1,000,751	1,050,068
EQUITY		
Equity attributable to owners of the parent		
Issued capital	119,975	119,975
Reserves	880,776	930,093
Total equity	1,000,751	1,050,068

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	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	Equity investments 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 equity (Unaudited) HK\$'000
At 31 December 2022	119,975	53,597*	867,910*	203,354*	(13,537)*	(33,190)*	85,060*	(233,101)*	1,050,068
Loss for the period	-	-	-	-	-	-	-	(26,887)	(26,887)
Share of other comprehensive loss of associates	-	-	-	-	-	(16)	-	-	(16)
Change in fair value of equity investments at fair value through other comprehensive income	-	-	-	-	(54)	-	-	-	(54)
Exchange differences on translation of foreign operations	-	-	-	-	-	(22,360)	-	-	(22,360)
Total comprehensive loss for the period	-	-	-	-	(54)	(22,376)	-	(26,887)	(49,317)
Transfer of revaluation reserve of land and buildings to accumulated losses	-	-	-	(3,288)	-	-	-	3,288	-
At 30 June 2023	119,975	53,597*	867,910*	200,066*	(13,591)*	(55,566)*	85,060*	(256,700)*	1,000,751

* These reserve accounts comprise the consolidated reserves of HK\$880,776,000 (31 December 2022: HK\$930,093,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2022

	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	Equity investments 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 equity (Unaudited) HK\$'000
At 31 December 2021	119,975	53,597	867,910	226,989	(12,328)	32,793	79,868	(275,401)	1,093,403
Loss for the period	-	-	-	-	-	-	-	(63,072)	(63,072)
Share of other comprehensive income of associates	-	-	-	-	-	(294)	-	-	(294)
Change in fair value of equity investments at fair value through other comprehensive income	-	-	-	-	(1,184)	-	-	-	(1,184)
Exchange differences on translation of foreign operations	-	-	-	-	-	(28,354)	-	-	(28,354)
Total comprehensive loss for the period	-	-	-	-	(1,184)	(28,648)	-	(63,072)	(92,904)
Transfer of revaluation reserve of land and buildings to accumulated losses	-	-	-	(4,016)	-	-	-	4,016	-
At 30 June 2022	119,975	53,597	867,910	222,973	(13,512)	4,145	79,868	(334,457)	1,000,499

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

		For the six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
NOTES		HK\$'000	HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
	Loss before tax	(27,654)	(64,699)
	Adjustments for:		
	Finance costs	89	165
	Share of losses of associates	66	31
	Interest income	(7,071)	(4,397)
	Gain on disposal of items of property, plant and equipment	(12)	(31)
	Fair value loss on financial assets at fair value through profit or loss	14	92
	Depreciation of property, plant and equipment	8,680	9,680
	Depreciation of right-of-use assets	1,691	1,783
	Impairment of trade receivables	4,991	5,346
	Impairment/(reversal of impairment) of other receivables	239	(112)
	(Reversal of impairment)/impairment of contract assets	(107)	28
	Reversal of impairment of entrusted loan	–	(1,207)
	Write-off of inventories	1,118	507
	Provision for obsolete inventories	1,176	11,786
		(16,780)	(41,028)
	Increase in inventories	(33,360)	(41,847)
	Decrease in contract assets	2,554	3,864
	Decrease in trade and bills receivables	23,880	20,347
	Decrease/(increase) in prepayments, other receivables and other assets	2,112	(2,795)
	Increase/(decrease) in trade and bills payables	613	(20,629)
	Increase in contract liabilities	35,860	23,691
	Decrease in other payables and accruals	(105,326)	(83,855)
	Exchange differences	4,486	8,361
	Cash used in operations	(85,961)	(133,891)
	Bank interest received	7,071	4,397
	Interest element of lease payments	(89)	(165)
	Mainland of the People's Republic of China ("Mainland China" or the "PRC") corporate income tax paid	(3)	–
	Net cash flows used in operating activities	(78,982)	(129,659)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(1,388)	(1,519)
Proceeds from disposal of items of property, plant and equipment	19	1,398
Increase in pledged deposits	(105)	(515)
Net cash flows used in from investing activities	(1,474)	(636)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal portion of lease payments	(1,675)	(1,576)
Net cash flows used in financing activities	(1,675)	(1,576)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(82,131)	(131,871)
Cash and cash equivalents at beginning of period	733,315	599,166
Effect of foreign exchange rate changes, net	(22,056)	(23,993)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	629,128	443,302
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	529,687	338,571
Non-pledged time deposits	99,441	104,731
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	629,128	443,302

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2023

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants, as well as with the applicable disclosure requirement of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2022. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group’s interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group’s annual consolidated financial statements.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

The nature and impact of the revised HKFRSs that are applicable to the Group are described below: *(continued)*

- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 January 2022, if any. The amendments do not have any significant impact on the Group's financial statements.
- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Revenue from contracts with customers	370,156	320,828
Revenue from other sources		
Gross rental income	2,892	2,365
	373,048	323,193

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Type of goods or services		
Sale of information products and software	370,156	320,437
Sale of software development and system integration service	–	391
Total revenue from contracts with customers	370,156	320,828
Geographical markets		
Mainland China	370,156	320,828
Total revenue from contracts with customers	370,156	320,828
Timing of revenue recognition		
Goods transferred at a point in time	370,156	320,437
Services transferred over time	–	391
Total revenue from contracts with customers	370,156	320,828

Given that the chief operating decision maker of the Company considers that the Group's business is operated and managed as a single segment of software development, systems integration and information products distribution, accordingly, no segment information is presented.

4. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Bank interest income	7,071	4,397
Government grants	13,634	14,634
Gain on disposal of items of property, plant and equipment	12	31
Others	1,634	1,687
	22,351	20,749

5. FINANCE COSTS

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Interest on lease liabilities	89	165

6. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Cost of inventories sold**	142,091	95,681
Cost of services provided**	55,690	61,714
Depreciation of properties, plant and equipment	8,680	9,680
Depreciation of right-of-use assets	1,691	1,783
Impairment of trade receivables*	4,991	5,346
Impairment/(reversal of impairment) of other receivables*	239	(112)
Reversal of impairment of entrusted loan*	–	(1,207)
(Reversal of impairment)/impairment of contract assets*	(107)	28
Loss on write-off of inventories*	1,118	507
Fair value loss on equity investment at fair value through profit or loss*	14	92
Provision for obsolete inventories**	1,176	11,786
Foreign exchange differences, net	3,174	4,062
Research and development costs:		
Current period expenditure*	77,249	79,019

* These items are included in "Other income and gains" or "Other expenses, net" in the condensed consolidated statement of profit or loss.

** These items are included in "Cost of sales" in the condensed consolidated statement of profit or loss.

7. INCOME TAX

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Current – Hong Kong		
Charge for the period	–	35
Current – Mainland China		
Underprovision in prior year	1	3
Deferred	(768)	(1,665)
Total tax credit for the period	(767)	(1,627)

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 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 certain subsidiaries of the Group which are entitled to a preferential tax treatments of reduction in the CIT rate to 5% or 15%.

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

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

The calculation of basic loss per share amounts is based on the unaudited loss for the period attributable to 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 2022: 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 2023 and 2022.

9. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

10. TRADE AND BILLS RECEIVABLES

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Trade receivables	181,916	210,326
Bills receivable	13,671	13,574
Impairment	(44,067)	(43,509)
	151,520	180,391

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

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Within 6 months	76,510	135,922
7 to 12 months	45,881	13,281
13 to 24 months	12,173	12,185
Over 24 months	3,285	5,429
	137,849	166,817

Included in the Group's trade and bills receivables are amounts due from 新方正控股發展有限責任公司 (New Founder Holdings Development Co., Ltd. *) ("New Founder"), a substantial shareholder of the Company, and its subsidiaries (collectively "New Founder Group") of HK\$38,000 as at 30 June 2023 (31 December 2022: HK\$350,000), which are repayable on similar credit terms to those offered to the major customers of the Group.

* For identification purpose only

11. 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 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Within 6 months	44,012	48,307
7 to 12 months	7,545	2,698
13 to 24 months	1,935	882
Over 24 months	2,718	3,710
	56,210	55,597

Included in the Group's trade and bills payables are amounts due to New Founder Group of approximately HK\$120,000 (31 December 2022: HK\$402,000), which are repayable on agreed terms similar to those offered by other third party suppliers.

12. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities (31 December 2022: Nil).

13. RELATED PARTY TRANSACTIONS

(I) Transactions with related parties

The Group had the following material transactions with related parties during the period:

	NOTES	For the six months ended 30 June	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Sales of goods to Peking University Founder Group Company Limited and its subsidiaries ("Peking Founder Group")	(i)	–	9
Sales of goods to Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries (not within the New Founder Group)	(i)	96	–
Sales of goods to New Founder Group	(i)	187	–
Management expense to New Founder Group	(ii)	2,602	–
Rental and management expense to Peking Founder Group	(ii)	–	10,130
Purchase of goods from New Founder Group	(i)	359	–
Purchase of goods from Peking Founder Group	(i)	–	889

Notes:

- (i) These transactions were conducted on the terms agreed between the parties involved.
- (ii) The expenses were attributable to the lease agreements and management agreements with New Founder Group and Peking Founder Group to lease and manage the premises in Beijing with market price.

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

13. RELATED PARTY TRANSACTIONS *(continued)*

(II) Outstanding balances with related parties

Details of the Group's trade balances with its related companies as at the end of the reporting period are disclosed in notes 10 and 11 to the interim condensed consolidated 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	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Short term employee benefits	2,466	2,285
Pension scheme contributions	105	75
Total compensation paid to key management personnel	2,571	2,360

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 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Pledged deposit, non-current portion	4,073	4,284	3,977	4,081
Equity investments at fair value through other comprehensive income	310	383	310	383
Bills receivable	13,671	13,574	13,671	13,574
Financial assets at fair value through profit or loss	1,045	1,081	1,045	1,081
	19,099	19,322	19,003	19,119

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

The fair values 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 and bills receivables 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 and lease liabilities as at 30 June 2023 was assessed to be insignificant.

The fair values of listed equity investments at fair value through other comprehensive income and listed financial assets 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 2023

	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	
Equity investments at fair value through other comprehensive income	310	–	–	310
Financial assets at fair value through profit or loss	1,045	–	–	1,045
Bills receivable	–	13,671	–	13,671
	1,355	13,671	–	15,026

As at 31 December 2022

	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	
Equity investments at fair value through other comprehensive income	383	–	–	383
Financial assets at fair value through profit or loss	1,081	–	–	1,081
Bills receivable	–	13,574	–	13,574
	1,464	13,574	–	15,038

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

Fair value hierarchy *(continued)*

Assets measured at fair value: (continued)

The Group did not have any financial liabilities measured at fair value during the six months ended 30 June 2023 and the year ended 31 December 2022. During the six months ended 30 June 2023 and the year ended 31 December 2022, 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.

Assets for which fair values are disclosed:

As at 30 June 2023

	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	–	3,977	–	3,977

As at 31 December 2022

	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	–	4,081	–	4,081

15. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 29 August 2023.

OVERALL PERFORMANCE

The Group reported an unaudited consolidated loss attributable to owners of the parent for the six months ended 30 June 2023 of approximately HK\$26.9 million (six months ended 30 June 2022: HK\$63.1 million). The Group's turnover for the current interim period increased by 15.4% to approximately HK\$373.0 million (six months ended 30 June 2022: HK\$323.2 million) due to the relaxation of COVID-19 pandemic control measures during the six months ended 30 June 2023. Gross profit for the current interim period increased by 13.0% to approximately HK\$174.1 million (six months ended 30 June 2022: HK\$154.0 million) due to the increase in revenue. Gross profit ratio was maintained between approximately 47% to 48%.

The loss attributable to the equity holders of the parent for the six months ended 30 June 2023 was mainly the net results of:

- a. an increase in the gross profit by 13.0% to approximately HK\$174.1 million (six months ended 30 June 2022: HK\$154.0 million);
- b. an increase in other income and gains by 7.7% to approximately HK\$22.4 million (six months ended 30 June 2022: HK\$20.7 million) attributable to the increase in bank interest income; and
- c. a decrease in total selling and distribution expenses, administrative expenses and other expenses, net by 6.4% to approximately HK\$223.9 million (six months ended 30 June 2022: HK\$239.3 million) as a result of the decrease in number of staff and severance payment and decline in exchange rate of Renminbi against Hong Kong dollars during the period.

Basic and diluted loss per share attributable to equity holders of the parent for the six months ended 30 June 2023 was HK2.2 cents (six months ended 30 June 2022: HK5.3 cents).

OPERATING REVIEW AND PROSPECTS

Font Library Business

In April 2022, an announcement was jointly published by National Press and Publication Administration (國家新聞出版署), National Radio and Television Administration (國家廣播電視總局), requesting the standardized use of Chinese characters and rejecting ugly fonts. Meanwhile, with increasingly intense competition in the industry, new font design companies and individual font designers came into the font library market one after another. In order to meet the ever-changing demand for fonts across all sectors of society and to cope with fierce domestic and overseas competition, FounderType (方正字庫) has made a number of attempts in terms of marketing methods:

- 1) Font design aspect: Actively respond to the national initiative of “Standardizing the use of Chinese characters (規範使用漢字)”, and take the development of classical calligraphy of past dynasties as one of the major work focuses to promote the development of “Exquisite Chinese Font Library Project (中華精品字庫工程)”. The developed font library will be released in July, including Regular Script Font of Ouyang Xun-style (歐陽詢楷書), The lesser seal character of Li Yangbing-style (李陽冰小篆), Propriety stele-style Clerical Script Font (禮器碑隸書), Ma Wangdui-style Silk Script Font (馬王堆帛書) and Semi-cursive Script Font of Wu Yuru-style (吳玉如行書). Based on our analysis of industry trends, we released several high-quality fonts with different styles as our key products, which included Bangshu large character of Mo Chen (墨塵榜書), Regular Script Font of Meng Fanxi-style (孟繁禧楷書), Semi-cursive Script Font of Tian Boping-style (田伯平行書), Blackletter of Hao Gang-style (郝剛哥特體), Zi Black (茲黑), Flash Black (耀動黑), Runyu Yuan Song-style Font (潤玉圓宋), Regular calligraphy of Zikutang Bamboo (字酷堂竹堂楷), Avant-garde black of Yoonche (Yoonche前衛黑), Ming Dynasty Blackletter of VDL (VDL哥特明朝) and Anvil Book Circle (砧書圓). In the first half of 2023, a total of 210 fonts were released. At the same time, we created customized fonts for enterprises such as Guoquan Shihui (鍋圈食匯) and Ctrip Travel (攜程旅行), assisting them revitalize and upgrade their branding position, and conveying their brand message.
- 2) Font design technology aspect: To ensure font quality and to improve design efficiency, we continued to promote the use of artificial intelligence-aided font design technology in our major design works in “Exquisite Chinese Font Library Project (中華精品字庫工程)” and other key projects of font customization. Keeping pace with the global technology trend, we further strengthened the research of variable font technology and actively applied variable font technology to meet the needs of high-end clients.
- 3) Marketing and service aspect: On the basis of consolidating and expanding the cooperation with major corporate clients, we strengthened the customer service and increased collaboration with design companies and advertising firms. We participated in the formulation of GB18030 National Standards, and the Founder Population Information GB18030 Super Large Font Solution has been selected by many financial institutions to help to solve the problem of uncommon words in the names of people or places. We continued to push forward the development of the comprehensive service system from the official website of mobile APP of FounderType and “Font + (字加)” to the PC client end of “Font + (字加)” and the PC client end of FounderType.

- 4) Market promotion aspect: Both online and offline efforts were made by us simultaneously. FounderType vividly presented the modern interpretation and aesthetic design of text at the events of ABC Art Book Exhibition (abc藝術書展), the 4th China Design Exhibition (第四屆中國設計大展), and Alibaba U Design Week (阿里巴巴U設計周). We also hold a ceremony for the launch of the “Future created by fonts: 12th “Founder Award Design Competition (字創未來:第十二屆「方正獎」設計大賽啟動儀式)” both online and offline. We also planned online live streaming and launch the heavyweight annual event “Founder’s Choice (方正之選)”. China Central Television’s “Chinese Calligraphy Conference” (中國書法大會) program fully used the fonts of “Exquisite Chinese Font Library Project (中華精品字庫工程)” in its subtitles, and filmed the process of Founder Electronics using scientific and technological means to develop Founder’s Wang Xizhi-style Semi-cursive Script Font (方正王羲之之行書), helping to spread the excellent traditional Chinese culture.

The above measures not only further enhanced the professional brand image and industry-leading position of FounderType, but also raised the public awareness of young and internationalization image of FounderType. This enabled FounderType to lay a solid foundation for the future and long-term development.

Printing Business

In the first half of 2023, although the epidemic lockdown policy had ended, the overall situation of China’s printing and recording media replication industry (referred to as the “printing industry”) had not rapidly recovered. From January to May 2023, Enterprises above Designated Size (Note 1) in China’s printing industry achieved a revenue of RMB252.12 billion, a year-on-year decrease of 6.3% while the total profit was RMB10.48 billion yuan, a year-on-year decrease of 16.8% (Data source from “Printing Entrepreneur (印刷企業家)” magazine). In this macro context, Founder EasiPrint continued to innovate in technology and provided high-quality services for customers, forging ahead in the difficult external environments. Our goal is to continue promoting the digital and technological innovation in the printing industry, specifically by adopting new technologies and iteratively upgrading digital inkjet printing equipment. Through continuous improvements in quality, speed, automation and other aspects, we aimed to strengthen the competitive advantage of inkjet printing over traditional printing technologies. We continued to promote the research and development of integrated front and rear ends in software and hardware systems for book production, and promoted the digital transformation of the book production process in the publishing industry through new technologies.

- 1) Sales aspect: In the first half of 2023, the newly contracted orders of the Founder Jieying series inkjet printing machines increased by 80% year-on-year, and the revenue also increased by more than 20% year-on-year. This was mainly due to the official launch of the Founder Jieying 1200DPI high-definition color machine (方正樂鷹1200DPI高清彩機), which has improved the printing quality and production capacity to the same or better level as traditional offset printing technology, and has better adaptability to paper than the previous generation 600DPI equipment. This has greatly strengthened the willingness of domestic commercial and book printing enterprises to invest in the new equipment. The attention of the printing industry towards high-speed inkjet technology is on the rise. At the same time, in the first half of 2023, we also achieved the export of large-scale inkjet printing equipment to foreign countries for the first time and completed its installation, forming a new business growth point.

Note 1: According to National Bureau of Statistics of China, Enterprises above Designated Size refer to enterprises with annual main business income of RMB20 million and above.

- 2) Aspect of product research and development and background management: Founder EasiPrint continued to spare no effort in R&D resource investment, especially in the face of new problems and new demands that users encountered during the use of the Founder Jieying P6600CHD (方正樂鷹P6600CHD) after its launch and sales. The production and research team promptly spent time and resources on solving them one by one. In addition, under the new agency sales system, the Founder Jieying S330 single sheet equipment (方正樂鷹S330單張紙設備) has been widely distributed and sold nationwide. In response to the problems concerning customer applications that arose in the stage of their production, Founder EasiPrint had responded and resolved them at the first time. In middle of 2023, Founder EasiPrint launched a specialized digital process software for inkjet printing applications – Founder Changliu inkjet version 7.0 (方正暢流噴墨版7.0版). This version had undergone extensive optimizations and modifications to meet the needs of inkjet technology, enabling a better automated production system. The online inkjet system applied to the cardboard box production line of consumer goods enterprises had also undergo comprehensive testing that will be started in the second half of 2023. In addition to the technical work mentioned above, efforts were also being made to optimize operational efficiency, destocking, and inventory optimization.
- 3) Marketing aspect: In 2023, the fifth China (Guangdong) International Printing Technology Exhibition (第五屆中國(廣東)國際印刷技術展覽會) (Print China 2023) hosted by Printing and Printing Equipment Industries Association of China (中國印刷及設備器材工業協會) was held in GD Modern International Exhibition Center (廣東現代國際展覽中心) in Dongguan from 11 to 15 April. Founder EasiPrint, as an exhibitor of digital printing equipment, participated in this exhibition. At this exhibition, Founder EasiPrint mainly showcased the full range products of Founder Jieying high-speed inkjet (方正樂鷹高速噴墨) and received good market response. In addition, Founder EasiPrint also promoted and advertised its own inkjet equipment and software systems through participated in the touring seminar of “High Speed Inkjet Printing in China 2023 (高速噴墨印刷在中國)”, and held the self-organized online promotion conference and high-definition inkjet color machine user on-site meeting, etc. All have achieved good market feedback and economic benefits.

Media Business

In terms of macro policy, focusing on media integration, in April 2022, three ministries and commissions including the Publicity Department of the CPC Central Committee (中宣部), the Ministry of Finance (財政部) and National Radio and Television Administration (國家廣電總局) jointly issued the “Notice on the implementation of plan for promoting the development of in-depth integration of municipal level media” (《推進地市級媒體加快深度融合發展實施方案》) (hereinafter referred to as the “Plan”), in which specific deployments were made for the in-depth integration of municipal level media, and 60 cities (including municipal and county-level) were selected to promote the pilot constructions of city level integrated media centers. The Plan required to focus on integrated development, take the Internet as the main platform, promote the intensive and digital transformation of the collection and editing process, optimize the allocation of collection and editing resources and forces, and establish a new collection and editing platform with unified command and scheduling. It aims at the integration and application of multiple technologies, and the adaptation to multi-interface news production, so as to realize the one-time collection, multiple generation, and all media dissemination of news information. We should build a new communication platform, grasp the mobile trend, stick to local reality, build multiple communication channels, establish a variety of platform terminals, develop a variety of communication forms, and thus to form a distinctive, wide coverage, three dimensional and rapid all-rounded media communication matrix. We should focus on client base establishment by optimizing account layout, making full use of mobile communication technology, strengthening visible presentation, interactive communication, accurate pushing, and enhancing immersive experience and user stickiness. We should also strengthen the support of advanced technology by utilizing 5G, big data, cloud computing, artificial intelligence,

blockchain and other new technologies, to strengthen the database infrastructure for the content and user, and improve the capability of data collection, storage, management, analysis and application. To promote vertical media connectivity, provincial technology platforms should expand capacity and improve the functions, in order to provide technical support and operation and maintenance services for municipal and county-level integrated media centers within the province, and to facilitate the interconnection of the integrated development of provincial, city, municipal and county level media. As of the end of 2022, nearly 90% of the 60 municipal-level integrated media centers in China had completed the integration of reporting mechanism. The municipal-level integrated media centers took the opportunity of promoting in-depth media integration to accelerate the focus of resource allocation towards the Internet, especially mobile platforms, and fully advanced into the main battlefield and occupy new positions of media. In 2023, municipal-level integrated media centers will gradually promote platform construction through using mobile apps as the first release platform for mobile devices, building a comprehensive media matrix, establishing multiple communication channels, and striving to create a new type of mainstream media with strong influence and competitiveness. We will actively participate in the modernization of social governance, and integrate into social governance sectors such as smart city construction, and to explore the integration of new business formats. According to the deployment of the Plan promulgated by the three ministries and commissions including the Publicity Department of the CPC Central Committee, the Central Publicity Department (中央宣傳部) and National Radio and Television Administration (國家廣播電視總局) had organized the demonstration of five technical standards and specifications, including the "Overall Technical Specifications for Municipal-Level Financial Media Centers (《市級融媒體中心總體技術規範》)", "The Data Specifications for Municipal-Level Financial Media Centers (《市級融媒體中心數據規範》)", "The Interface Specifications for Municipal-Level Financial Media Centers (《市級融媒體中心接口規範》)", "The Basic Requirements for Network Security Protection of Municipal-Level Financial Media Centers (《市級融媒體中心網絡安全防護基本要求》)", and "the Compliance Evaluation Method for the Technical System of Municipal-Level Financial Media Centers (《市級融媒體中心技術系統合規性評估方法》)", which were released in February 2023. These provided a standard for the construction of platforms of municipal-level integrated media centers. In March 2023, the first session of the 14th National People's Congress (十四屆全國人大一次會議) added "Solidly promoting the in-depth media integration (扎實推進媒體深度融合)" in the government work report, accelerating the media integration. Around integrated publishing, in April 2022, the Publicity Department of the CPC Central Committee issued "The implementation opinions on promoting the deep integration and development of publishing" (《關於推動出版深度融合發展的實施意見》) (hereinafter referred to as the "Opinions"). The Opinions focus on accelerating the in-depth integration and development of publishing, constructing a new publishing and communication system in the digital era, adhering to the general thought of combining systematic promotion with demonstration and guidance, and put forward 20 main measures from 6 aspects: strategic planning, content construction, technical support, key projects, talent team, and security system. It can make a comprehensive deployment and put forward clear requirements for the goals, directions, paths and measures of the integrated development of publishing in the future. In the first half of 2023, the National Press and Publication Administration issued a notice to launch the implementation of the 2023 publishing integration development project. The notice pointed out that the 2023 publishing integration development project will focus on the in-depth implementation of the selection and recommendation plan for digital publishing high-quality products and the selection and recommendation plan for demonstration units of publication integration development. At the same time, the official will continue to cultivate, construct, apply and promote of other high-quality products, platforms, units, and talents that have been selected for the publishing integration development project. These policies will greatly facilitate the digital transformation of the publishing industry and establish a new system of integrated content with collaborative production and dissemination.

From the trend of technology evolution, the big models of artificial intelligence represented by ChatGPT and Baidu ERNIE Bot, etc. have penetrated into all aspects of life, triggering a new round of technology revolution of artificial intelligence. The artificial intelligence technology and applications represented by AIGC will bring innovative applications in the media publishing industry, focusing on content intelligent creation, content intelligent editing, content intelligent review, etc., and utilizing technologies such as AIGC to enhance content productivity.

1) *Product and solution:*

For in-depth media integration: In the first half of 2023, a new generation of intelligent media Open platform “Founder Skylark Cloud Media Integration Platform (方正雲雀融媒體平台)” was launched. It focused on the research and development of the data middle platform and AI middle platform by adopting a cloud computing-based and containerized microservice structure to build the new generation of supporting platforms for media integration technologies. The agile iterative research and development model continuously improves the intelligence and video capabilities of products, fully empowering the in-depth integration of media and the construction of technology platforms for municipal-level integrated media centers. A new generation of intelligent media opened platform “Founder Skylark Cloud Media Integration Platform (方正雲雀融媒體平台)” realized not only the integration for media businesses, management, users and data, but also the optimization of new mobile media platforms and mobilization of core content productive businesses. Meanwhile, the solution strengthened and optimized the abilities of comprehensive and integrated production, comprehensive planning and interview, comprehensive compilation and editing and distribution from various ends through the assistance of data middle platform and Artificial intelligence middle platform. It can then support with the digitalization and intelligence of different application scenarios, including planning, interview, compilation, editing, publishing and distribution (策採編審發傳). In the first half of 2023, we increased the development of intelligent media resources system, and at the same time, we brought the innovative applications in the media publishing industry in combination with artificial intelligence technologies and applications represented by AIGC. Founder Electronics has become the first ecological partners of Baidu ERNIE Bot’s big model. We conducted in-depth cooperation in technological innovation, scenario incubation, ecological construction, and standard customization in scenarios such as “intelligent content creation generation (內容智能創作生成)”, “intelligent material services (智能素材服務)”, and “knowledge-based Q&A (知識型問答)”. Founder Electronics is about to launch intelligent creation assistants namely “Magic Cube Intelligent Creator (魔方智能創作器)”.

For the publishing business: Founder Electronics has stepped up its efforts in the research and development of the new generation of the digital joint compilation system, covering technologies and software products for joint compilation, smart review, XML automatic typesetting, knowledge service and content production. In the first half of 2023, Founder Smart Review Version 4.0 (方正智能審校4.0版本) was released to comprehensively improve ideological content review and control capabilities, intelligent error correction capabilities, knowledge inspection capabilities, and the applications for scenario expansion, while fully opening up text and knowledge review capabilities such as text review, document review, and knowledge review, as well as image, audio and video review capabilities. In the first half of the year, we will continue to improve the collaborative editing platform based on the SaaS service model and provide SaaS services mode to small and medium-sized publishing clients. In the first half of 2023, the revised tool “Founder Smart Review Editor (方正智能審稿編輯器)” in the new generation collaborative editing system, which serves as the editing and review connection, will be fully upgraded and equipped with artificial intelligence big models, providing functions such as intelligent editing and review assistance, auxiliary topic planning, and intelligent content generation (AIGC). Facing the academic journal market, we have continuously improved the data-driven new generation submission and review system, XML production service platform, and dissemination platform, enhancing intelligent capabilities such as academic misconduct reminders and manuscript checks. The dissemination and publishing platform has improved its SEO optimization capabilities.

2) *Business model:*

We are committed to actively promoting the transformation from software solution to authorization service, SaaS service, software service and data service. In 2023, the proportion in relation to the revenue of service-oriented business accounted for over 38%, with authorized service revenue accounting for over 20%, and SaaS services and service-oriented business revenue accounting for over 18%. The business model has gradually changed from sale of product solution project to product solution and authorization, SaaS services, software services, data services and other collaborative business models.

3) *Marketing:*

In the media market, on the basis of consolidating the central media, provincial and municipal media as well as industrial media markets, we increased the expansion to the pan-media markets such as government enterprises, colleges and universities. In the first half of 2023, Founder Electronics reached new cooperations with central-level, provincial-level and municipal-level media clients such as People's Daily, Commind Technology (Zhejiang) Co., Ltd, Gansu Cloud New Media Group Co., Ltd, Tibet News Network, Yinchuan News Media Center, Hohhot Radio and Television Station, Ulanqab Integrated media centers, Daqing Daily in the media market. In addition, we had also entered into the contracts with corporate medias, university media platforms and service projects such as the Pipe China, China National aviation Holding Corporation Limited, Everrising Holdings Co., LTD., Yunnan University, Hebei Institute of Communications, etc.

In the book publishing market, in the first half of 2023, a series of new cooperations were reached with Higher Education Press, CITIC Press Group, People's Medical Publishing Co., LTD, Zhejiang Publishing United Group, etc. At the 12th China Digital Publishing Expo (第十二屆中國數字出版博覽會), Founder Electronics won two awards: "Excellent Digital Technology Service Provider (優秀數字技術服務商)" and "Excellent Exhibition Unit (優秀展示單位)". At the same time, Founder Electronics "Collaborative Compilation System (協同編纂系統)" won the "Outstanding Case of Publishing Integration Development (出版融合發展優秀案例)" award at the 6th Digital Publishing Innovation Forum of the Digital Publishing Expo (第六屆數字出版創新論壇).

In the academic journal market, Founder Electronics has continuously improved and upgraded the "Founder Hongyun Academic Publishing Cloud Service Platform (方正鴻雲學術出版雲服務平台)" by using artificial intelligence, big data, cloud computing and other technologies, serving nearly 1,000 users of academic journal publishers. In the first half of the year, we expanded and provided the services to nearly 100 new clients of academic journals.

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 our 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 a 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 2023, the number of employees of the Group was approximately 1,084 (31 December 2022: 1,088).

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 2023, the Group had nil interest-bearing bank borrowings (31 December 2022: Nil).

As at 30 June 2023, the Group recorded total assets of HK\$1,361.7 million which were financed by liabilities of HK\$360.9 million and equity of HK\$1,000.8 million. The Group's net asset value per share as at 30 June 2023 amounted to HK\$0.83 (31 December 2022: HK\$0.88). The decrease in net asset value per share was due to loss and exchange differences arising from translation of foreign operations during the current interim period.

The Group had total cash and bank balances (including pledged deposits and cash and cash equivalents) of HK\$634.2 million as at 30 June 2023 (31 December 2022: HK\$738.3 million). As at 30 June 2023, the Group's gearing ratio, measured by the ratio of total borrowings (including lease liabilities) to total shareholders' equity, was 0.3% (31 December 2022: 0.4%) while the Group's working capital ratio was 3.06 (31 December 2022: 2.78). The decrease in other payables and accruals by 41.1% to HK\$150.9 million (31 December 2022: HK\$256.2 million) was due to payment of bonus during the current interim period.

As at 30 June 2023, the Group did not have any material capital expenditure commitments.

Treasury policies

The Group adopts conservative treasury policies and controls tightly over its cash and risk management. The Group's cash and cash equivalents are held mainly in Hong Kong Dollars ("HK\$"), Renminbi ("RMB") and United States Dollars ("U.S. dollars"). Surplus cash is generally placed in short term deposits denominated in HK\$, 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 HK\$ and U.S. dollars. The exchange rate of U.S. dollars against HK\$ 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 2023, the major contracts for the software development and systems integration business amounted to approximately HK\$417.7 million (31 December 2022: HK\$260.8 million), which are all expected to be completed within one year.

Material acquisitions and disposals of subsidiaries, associates and joint ventures, and significant investments

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures, or significant investments during the six months ended 30 June 2023.

Charges on assets

As at 30 June 2023, the Group's investment properties of approximately HK\$71.5 million and bank deposits of approximately HK\$5.1 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 2023. 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 2023, 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 2023, 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	12,685,556	1.05
Mr. Zhang Jian Guo	Directly beneficially owned	1,160,000	0.09

Save as disclosed above, as at 30 June 2023, 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 2023, 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
中國平安保險(集團)股份有限公司 (Ping An Insurance (Group) Company of China, Ltd.) ("Ping An")	1	Through a controlled corporation	367,179,610	30.60
中國平安人壽保險股份有限公司 (Ping An Life Insurance Company of China, Ltd.) ("Ping An Life")	2	Through a controlled corporation	367,179,610	30.60
新方正(北京)企業管理發展有限公司 (New Founder (Beijing) Enterprise Management Development Co., Ltd. *) ("New Founder (Beijing)")	3	Through a controlled corporation	367,179,610	30.60
新方正控股發展有限責任公司 (New Founder Holdings Development Co., Ltd. *) ("New Founder")	4	Through a controlled corporation	367,179,610	30.60
方正信息產業有限責任公司 (Founder Information Industry Co., Ltd. *) ("Founder Information")		Directly beneficially owned	367,179,610	30.60

Notes:

- Ping An was deemed to be interested in the 367,179,610 shares under the SFO by virtue of its interest in Ping An Life.
- Ping An Life was deemed to be interested in the 367,179,610 shares under the SFO by virtue of its interest in New Founder (Beijing).
- New Founder (Beijing) was deemed to be interested in the 367,179,610 shares under the SFO by virtue of its interest in New Founder.
- New Founder was deemed to be interested in the 367,179,610 shares under the SFO by virtue of its interest in Founder Information.

Save as disclosed above, to the best knowledge of the Company, as at 30 June 2023, 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.

* For identification purpose only

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 2023.

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 of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2023 except for the following deviation:

Code Provision F.2.2 of Corporate Governance Code provides that the chairman of the Board should attend annual general meetings of the Company and should also invite the chairmen of the audit committee, remuneration committee, nomination committee and any other committees (as appropriate) of the Company to attend. Mr. Cheung Shuen Lung, former Chairman of the Board, former member and chairman of the nomination committee and former member of the remuneration committee of the Company (resigned on 31 July 2023), was absent from the annual general meeting of the Company held on 25 May 2023 ("2023 AGM") due to health reason. To ensure smooth proceeding of the 2023 AGM and answer questions from shareholders, the President of the Company took the chair of the 2023 AGM. Other members of the Board, members of the nomination committee, and chairman and members of the remuneration committee of the Company were present at the 2023 AGM.

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 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 of the Company has reviewed the Group's interim condensed consolidated financial statements for the six months ended 30 June 2023, including the accounting principles adopted by the Group, with the Company's management.

CHANGES IN INFORMATION OF DIRECTOR

Mr. Qi Zi Xin, the Chairman of Board of the Company, has resigned as the chairman and director of China Hi-Tech Group Co., Ltd. ("China Hi-Tech") (中國高科集團股份有限公司) (stock code: 600730), a company in which 20.03% of equity interest is indirectly held by New Founder and listed on Shanghai Stock Exchange, with effect from 2 June 2023. With effect from 31 July 2023, Mr. Qi Zi Xin was appointed as the Chairman of the Board, authorised representative of the Company, member and chairman of the Nomination Committee of the Company and the member of the Remuneration Committee of the Company.

Mr. Cheung Shuen Lung resigned as executive director, Chairman of the Board, authorised representative of the Company, member and chairman of the Nomination Committee of the Company and the member of the Remuneration Committee of the Company with effect from 31 July 2023.

Mr. Wang Jin Chao was appointed as executive director of the Company with effect from 31 July 2023.

Mr. Hu Bin, the executive director of the Company, has resigned as the director of China Hi-Tech with effect from 2 June 2023.

Mr. Chan Chung Kik, Lewis, the independent non-executive director of the Company, has resigned as an independent non-executive director of HG Semiconductor Limited, a company listed on the Main Board of the Stock Exchange (stock code: 6908), with effect from 5 June 2023.

Mr. Chak Chi Shing was appointed as independent non-executive director, member of the Audit Committee and member of the Remuneration Committee of the Company with effect from 12 June 2023.

Saved as disclosed above, there is no change in the information of each director of the Company that is required to be disclosed under Rules 13.51B(1) of the Listing Rules, since the publication of annual report for the year ended 31 December 2022.

BOARD OF DIRECTORS

As at the date of this report, the board of directors of the Company comprises executive directors of Mr. Qi Zi Xin (*Chairman*), Mr. Shao Xing (*President*), Mr. Wang Jin Chao, Mr. Hu Bin, Mr. Zhang Jian Guo and Ms. Wu Jing, and the independent non-executive directors of Mr. Chan Chung Kik, Lewis, Mr. Lai Nga Ming, Edmund and Mr. Chak Chi Shing.

By Order of the Board
FOUNDER HOLDINGS LIMITED
Qi Zi Xin
Chairman

Hong Kong
29 August 2023