FOUNDER HOLDINGS LIMITED
方正控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 00418

ANNUAL REPORT 2023

中華字美

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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. Zhang Jian Guo
Ms. Wu Jing
Mr. Li Shuo Feng

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 ADVISERS

Fairbairn Catley Low & Kong

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

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

FINANCIAL HIGHLIGHTS

	2023 HK$'million	2022 HK$'million	+/(-) Change
FINANCIAL PERFORMANCE			
Revenue	**982**	958	2.6%
Gross profit margin (%)	**49.4%**	51.2%	
Profit attributable to owners of the parent	**60**	35	72.0%
Net profit margin (%)	**6.1%**	3.7%	
KEY FINANCIAL INDICATORS			
Cash and cash equivalents	**749**	733	2.1%
Net current assets	**767**	690	11.3%
Total assets	**1,466**	1,484	9.9%
Total liabilities	**366**	434	(15.5%)
Equity attributable to owners of the parent	**1,100**	1,050	4.8%
Current ratio (times)	**3.39**	2.78	
Gearing ratio	**0.3%**	0.4%	
Basic earnings per share (HK$ cents)	**5.0**	2.9	

MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE

The Group reported a profit for the year ended 31 December 2023 of approximately HK$59.8 million (year ended 31 December 2022: HK$34.8 million). The Group's turnover for the current year increased by 2.6% to HK$982.0 million (year ended 31 December 2022: HK$957.6 million) due to the relaxation of COVID-19 pandemic control measures during the year ended 31 December 2023. Gross profit for the current year decreased by 1.0% to HK$484.9 million compared with last year's HK$489.9 million. Gross profit ratio decreased from 51.2% for the last year to 49.4% for the current year as a result of increase in proportion of sales of hardware with lower gross profit margin.

The improvement in profit for the year was mainly the net results of:

a. an increase in other income and gains by 3.4% to HK$55.5 million (year ended 31 December 2022: HK$53.7 million) attributable to increase in bank interest income;

b. a decrease in total selling and distribution expenses and administrative expenses by 10.7% to HK$285.4 million (year ended 31 December 2022: HK$319.7 million) as a result of the decrease in number of staff and severance payment;

c. an increase in other operating expenses by HK$127.4 million to HK$196.5 million (year ended 31 December 2022: HK$69.1 million) due to last year balance included one-off gain on reversal of the provision arising from impairment of entrusted loan to Peking University Founder Group Company Limited; and

d. an increase in income tax credit by HK$121.2 million to HK$1.7 million (year ended 31 December 2022: income tax expense of HK$119.5 million) attributable to reversal of deferred tax assets arising from impairment of assets during last year.

Basic and diluted earnings per share for the year was HK$5.0 cents (year ended 31 December 2022: HK$2.9 cents).

OPERATING REVIEW AND PROSPECTS

Operating Review

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, 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)". At the "Achievement Release Conference of Beauty in Chinese Calligraphy Phase III (字美中華三期成果發佈會)", 12 types of Exquisite Chinese Fonts were officially released, including Semi-cursive Script Font of Wang Xizhi-style (王羲之行書), Regular Script Font of Ouyang Xun-style (歐陽詢楷書), Ma Wangdui-style Silk Script Font (馬王堆帛書), Propriety stele-style Clerical Script Font (禮器碑隸書), Xiping Stone Classic-style Clerical Script Font (熹平石經隸書), Cao Quan-style Clerical Script Font (曹全碑隸書), Zhang Qian-style Clerical Script Font (張遷碑隸書), Regular Script Font of Zhiyong-style (智永楷書), The Lesser Seal Character of Li Yangbing-style (李陽冰小篆), Yi Bingshou-style Clerical Script Font (伊秉綬隸書), Semi-cursive Script Font of Wu Yuru-style (吳玉如行書), and Semi-cursive Script Font of Ouyang Zhongshi-style (歐陽中石行書). Developing Shaolin Kung Fu-style Font (少林功夫體) by the collaboration with Shaolin Temple (少林寺), including multiple foreign languages such as Japanese and Korean, and promoting "Han" character (漢字) of Chinese culture through the Global Kung Fu Competition of Shaolin Temple called "Kung Fu Techniques Competition (考功大賽)". Based on industry trends, high-quality fonts with various styles have been launched, including 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 2023, a total of 468 fonts were released throughout the year. At the same time, we created customized fonts for enterprises and brands including Vivo, Douyin (抖音), HEYTEA (喜茶), Ctrip (攜程旅行), FAW Toyota CROWN (一汽豐田皇冠) to help themselves refresh and upgrade their brands, and convey brand's 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. The OpenType Font Replacement Technology was adopted in the Semi-cursive Script Font library of Wang Xizhi-style of Founder (方正王羲之行書字庫), achieving for the first time the implementation of one character with multiple forms in the Chinese font library. The most commonly used "zhi" character (「之」字) provided a total of 50 various font types written by Wang Xizhi. Continuing to deepen research on variable font technology and adopt "Dynamic Visual Font (動態視覺字號)" and "Intelligent Typesetting Engine (智能排版引擎)" in the Vivo Sans custom font project. Through two-dimensional variable visual font and font weight, as well as overall typesetting quality improvement from character spacing to paragraph alignment, we created a high-quality screen reading experience.

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 (GB18030國家標準制定), and the Founder Population Information GB18030 Super Large Font Solution (方正人口信息GB18030超大字庫解決方案) has been adopted 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 +" and the PC client end of FounderType.

4) Market promotion aspect: Both online and offline efforts were made by us simultaneously. At the live events of the 4th FounderType China Design Exhibition (方正字庫第四屆中國設計大展), Alibaba U Design Week (阿里巴巴U設計周), 9th China International Copyright Expo (第九屆中國國際版權博覽會), and 2023 Font Ecological Design Exhibition (2023字生態設計展), we vividly presented the modern interpretation and aesthetic design of texts. We convened the "Future created by Fonts: Founder Font Design Conference 2023 (「字創未來：方正2023字體設計大會」)" to publish the "2023 Font Trend Report (《2023字體趨勢報告》)", and to launch the national tour of "Light and Shadow of Fonts (「文字光影」)" (at Beijing, Shenzhen, Shanghai) so as to explore the inheritance and innovation of Chinese "Han" characters writing in the information era; "The press release of Phase III of Beauty in Chinese Calligraphy-Exquisite Chinese Font Library Project Charity Program (「字美中華－中華精品字庫工程公益應用計劃第三期發佈會」)" had released 12 latest calligraphy fonts as the achievements, including Semi-cursive Script Font of Wang Xizhi-style (王羲之行書), Regular Script Font of Ouyang Xun-style (歐陽詢楷書). We also launched the "Cultural and Creative Cross-creation Plan of Exquisite Chinese Font Library (中華精品字庫文創聯名共創計劃)", and participated in the China-Chic Market (國潮市集) of "Youyou Search • Crispy Youth Health (呦呦物色•脆皮青年養生局)" to integrate the beauty of calligraphy into public life. 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 development process of Founder's Wang Xizhi-style Semi-cursive Script Font (方正王羲之行書), helping to spread the excellent traditional Chinese culture. We also held the "Future created by Fonts: Launching Ceremony of the 12th Founder Award Design Competition (字創未來：第十二屆「方正獎」設計大賽啟動儀式)" and "Founder's Choice (《方正之選》)" activities; Alibaba Health 2.0 is permanently open for free download, aiming to support public welfare by technology and to promote the construction of an accessible environment.

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 2023, China is in the recovery stage after the end of the epidemic, and the overall situation of China's printing and recording media replication industry ("Printing Industry") remained stable, but has not yet returned to the high-speed growth state before the epidemic. From January to November 2023, China's Printing Industry achieved a total profit of CNY31.7 billion, a year-on-year increase of 0.1%. Although the overall economic environment is in a relatively downturn cycle, it is certain that the high-speed inkjet technology in the Printing Industry will replace traditional offset printing in the medium to long term. Therefore, Beijing Founder EasiPrint Digital Technical Co., Ltd.* (北京方正印捷數碼技術有限公司) ("Founder EasiPrint"), a wholly-owned subsidiary of the Company, continues to deepen its technological research and advance.

At the Innovation and Development Conference of China Printing Industry (中國印刷業創新發展大會) held in Jinan, Shandong Province in 2023, the first batch of 24 national printing showcase enterprises and pilot units for digital development and reform of the Printing Industry were announced. Founder EasiPrint has been selected as a "Pilot unit for digital development and reform in the Printing Industry (印刷業數字化發展改革試點單位)", and has been listed as one of the eight pilot units for "Intelligent manufacturing testing lines (智能製造測試線試點單位)". In the future, Founder EasiPrint will work together with other selected manufacturers, under the unified leadership of the National Press and Publication Administration (新聞出版總署), to promote the digital development and reform of China's Printing Industry.

In terms of product research and development, new products such as Founder EagleJet (方正桀鷹) P6600CHD 3.0, Founder EagleJet High Speed Single Sheet Fed Inkjet Printer S330 (方正桀鷹單張紙高速噴墨印刷機S330)", Founder EagleJet (方正桀鷹) P6600CHD-33 and "Founder Changliu Inkjet version 7.0 (方正暢流噴墨版7.0)" had been successively completed for the research and development. These products were shown at the 5th China (Guangdong) International Printing Technology Exhibition (Print China 2023) (第五屆中國(廣東)國際印刷技術展覽會) held in April and the 9th China International All Print Exhibition (第九屆中國國際全印展) held in November, and had received enthusiastic market feedback. Before and after the two large-scale printing exhibitions, new equipment such as Founder EagleJet P6600CHD (方正桀鷹P6600CHD) and Founder EagleJet S330 (方正桀鷹S330) were extensively installed and applied at customer locations, providing high-quality, high-capacity, and cost-effective production tools for the clients of commercial printing and book printing in the short edition production field of less than 3,000 copies. Although the first batch of clients who purchased equipment and put it into production in the first half of the year discovered many new problems and demands during the production process, as of August 2023, most of these problems had been properly resolved, and the new product requirements have been basically achieved through on-site equipment improvement or integration into the subsequent production system. At the same time, Founder Changliu Inkjet version 7.0 (方正暢流噴墨版7.0)", the digital workflow software specifically designed for inkjet printing production, will also undergo extensive user testing by new users in the second half of 2023. At the end of December 2023, the testing work of Founder Changliu Inkjet version 7.0 (方正暢流噴墨版7.0)", which can integrate RIP cores in large quantities, is nearing completion. It is expected to be configured in all automatic inkjet printing equipment in the future to achieve differentiated competition with competitors in the market.

In terms of sales, in the first half of 2023, with the relieve restriction of the epidemic and the industry's expectation of a return to high-speed economic growth, the domestic high-speed inkjet printing equipment market was booming, and Founder EasiPrint achieved the growth of sales and installed capacity of over 80% year-on-year. However, in the second half of 2023, following by the domestic economy declined, the industry revised its optimistic attitude towards the future economic prospect, resulting in a decline in equipment sales in the third and fourth quarters. But after November 2023, the market environment has once again warmed up, and we look forward to the continued trend of recovery in the future. In 2023, it was the first time that Founder EasiPrint achieved the export of large-scale inkjet printing equipment to Europe and Southeast Asia. Although it has not yet formed a batch of volume, taking this as a starting point will be an important direction for the future international market development of Founder EasiPrint's printing equipment and software business.

* *For identification purpose only*

In terms of market promotion, in the first half of 2023, Founder EasiPrint released the Founder EagleJet P6600 CHD 3.0 High-definition Color Inkjet Rotary Printing Machine (方正桀鷹P6600 CHD 3.0高清彩色噴墨輪轉印刷機) at the 5th China (Guangdong) International Printing Technology Exhibition (Print China 2023) (第五屆中國(廣東)國際印刷技術展覽會), and displayed 9 new software and hardware inkjet printing products, attracting a large number of visitors of exhibition. In the second half of 2023, Founder EasiPrint announced the Founder EagleJet P6600 CHD-33 High-definition Color Inkjet Rotary Printing Machine (方正桀鷹P6600 CHD-33高清彩色噴墨輪轉印刷機) at the 9th China International All Print Exhibition (第九屆中國國際全印展), which became a popular product with gaining great attention at the booth of Beijing Founder Electronics Co., Ltd.* (北京北大方正電子有限公司) ("Founder Electronics"), a wholly-owned subsidiary of the Company. In addition, two hardware products, including the Founder EagleJet S330 Single Sheet Inkjet Printer (方正桀鷹S330單張紙噴墨印刷機), and software products and solutions such as Founder Changyi Intelligent Detection Solution (方正暢易智能檢測解決方案) and Founder Changliu Digital Version (方正暢流數碼版), were also exhibited. At the main forum of this exhibition, the "Printing Innovation and Development Forum 2023 (2023印刷創新發展論壇)", Mr. Shao Xing, the Chairman and President of Founder Electronics, attended and shared the innovative achievements and future paths of national printing enterprises represented by Founder Electronics, actively promoting the development of inkjet technology in China, with the theme of "Deepening Inkjet Technology and Leading the Innovative Development in the Printing Industry (《深耕噴墨技術，引領印刷業創新發展》)". During the exhibition, he was interviewed by China Central Television's "Morning News Worldwide (《朝聞天下》)" program. The Founder EagleJet P5600/4400HD High-Definition Black and White Inkjet Digital Printing Machine (方正桀鷹P5600/4400HD高清黑白噴墨數字印刷機) won the award of "China Printing User Positive Equipment 2023 (2023中國印刷用戶好評裝備)".

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.

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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 (紮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. "OSTheory (《求是》雜誌社)", the official magazine publication, published the important article namely "Realize the high-level technological self-reliance and self-improvement by strengthening the fundamental research (《加強基礎研究實現高水平科技自立自強》)" issued by the General Secretary Xi Jinping in 2023, which pointed out the key points for the development of scientific and technological journals, focusing on building a world-class support platform for scientific and technological journals. At the end of 2023, the Central Propaganda Department (中宣部) and the Ministry of Education (教育部) jointly issued "The Implementation Opinions on Promoting the co-construction of Publishing Discipline Majors (《關於推進出版學科專業共建的實施意見》)", promoting co-operation among universities, relevant departments and units to jointly establish the publishing colleges and strengthen the construction of publishing discipline majors. These policies will significantly promote the digital transformation of the publishing industry and establish a new system of integrated content, collaborative production and dissemination.

From the trend of technological evolution, artificial intelligence, big data and other related technologies have begun to be continuously applied in the development of media integration and publishing integration. In particular, generative artificial intelligence represented by big models has begun to penetrate into various industries, triggering a new round 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 second half of 2023, Founder Electronics officially released the Founder Rubik's Cube Media Big Model (方正魔方媒體大模型), and also launched the Founder Rubik's Cube Intelligent Creator (方正魔方智能創作器) (AIGC Content Production Tool) based on the Founder Rubik's Cube Media Big Model. The Founder Rubik's Cube Media Big Model is based on multiple universal big models and is constructed using technologies such as secondary training, instruction fine-tuning, and reinforcement learning based on industry common data and media private data. It provides services in the media big model field, such as assisted creation, intelligent response and retrieval, multimodal services, and content risk control, empowering media integration with technological innovation.

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 second half of 2023, we developed an editing and review assistant based on big model, which equipped with artificial intelligence big models, providing functions such as intelligent editing and review assistance, auxiliary topic planning and artificial intelligence generated content (AIGC). Facing the academic journal market, in the second half of 2023, Founder Hongyun Academic Publishing and Communication Service Platform 3.0 (方正鴻雲學術出版與傳播服務平台3.0) was officially launched. The platform is mainly characterized by integration, clustering, internationalization, intelligentization, and datamation, serving the journal groups to create a full process digital publishing platform, promoting the intensive and clustered development of scientific and technological journals, improving the quality of academic publishing and integrate into the international academic ecosystem, and enhancing the international influence and dissemination, so as to assist in the construction of digital infrastructure for academic journals in China.

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 40%. 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 2023, Founder Electronics reached new cooperations with central-level, provincial-level and municipal-level media clients such as People's Daily (人民日報社), Command Technology (Zhejiang) Co., of Zhejiang daily (浙江日報傳播大腦科技(浙江)股份有限公司), Yunnan Daily Press Group (雲南日報報業集團), Hangzhou Daily Newspaper Group (杭州日報報業集團), Yinchuan News Media Center (銀川新聞傳媒中心), Hohhot Radio and Television Station (呼和浩特廣播電視台), Modern Express (現代快報), Ulanqab Integrated Media Centers (烏拉察布融媒體中心), Daqing Daily (大慶日報社), Yunnan Pu'er Integrated Media Center (雲南普洱融媒體中心), Yunnan Chuxiong Integrated Media Center (雲南楚雄融媒體中心), Sichuan Ya'an Integrated Media Center (四川雅安融媒體中心), Hubei Yichang Three Gorges Integrated Media Center (湖北宜昌三峽融媒體中心). In addition, we had also entered into the contracts with corporate integrated media, university integrated media and party official integrated media platforms such as the Pipe China (國家石油天然氣管網集團), China National Aviation Holding Corporation Limited (中國航空傳媒有限責任公司), Everrising Holdings Co., Ltd. (永卓控股有限公司), Media Corporation of CHN Energy (國家能源集團傳媒公司), Media Centre of China Pingmei Shenma Holding Co., Ltd (中國平煤神馬控股集團有限公司新聞中心), Yunnan University (雲南大學), Hebei Institute of Communications (河北傳媒學院), Xiamen Ocean Vocational College (廈門海洋職業學院), JiNing Normal University (集寧師範學院), Yunnan's "Yunling Pioneer" (雲南《雲嶺先鋒》), Jiangxi "Contemporary Jiangxi" (江西《當代江西》). In 2023, 12 integrated media platform projects contracted to build or to participate to build by Founder Electronics won the first, second, and third prizes of the "Wang Xuan News, Science and Technology Award 2023 (2023年王選新聞科學技術獎)" project respectively, including three first prizes, seven second prizes, and two third prizes. Founder Electronics won the "China Newspaper Technology Innovation Enterprise Award 2023 (2023中國報業技術創新企業獎)" at the China Newspaper Technology Annual Conference 2023 (2023中國報業技術年會), and its co-construction project with media units such as China Youth Daily (中國青年報社), Heilongjiang Daily (黑龍江日報), Yinchuan News and Media Center (銀川市新聞傳媒中心), and Xiangyang Daily (襄陽日報社) was selected as the "Innovation" Cases of National Media Integration Technology Application for 2021–2022 (2021–2022年度全國媒體融合技術應用) and the "Top 10" Cases of National Media Integration Technology Application for 2021–2022.

In the publishing market of publishing groups, new collaborations were reached in 2023 with Shanghai Century Publishing Group (上海世紀出版集團), Jiangsu Phoenix Publishing & Media Group (江蘇鳳凰出版傳媒集團), Zhejiang Publishing United Group (浙江出版聯合集團), Jilin Publishing Group (吉林出版集團), Shandong Publishing Group (山東出版集團), Higher Education Press (高等教育出版社), Peoples Education Press (人民教育出版社), CITIC Press Group (中信出版社), People's Medical Publishing House Co., LTD (人民衛生出版社), 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 Hongyun Academic Publishing Cloud Service Platform (方正鴻雲學術出版雲服務平台)" had served nearly 1,100 academic journal publishers at the end of 2023. In 2023, we expanded and provided the services to over 200 new clients of academic journals.

PROSPECTS

The management of the Group will closely monitor changes in the economy and IT market of the People's Republic of China (the "PRC"). 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 of employees. The Group ensures that the payments to its employees are competitive and the employees are rewarded based on their performance 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 maintained a share option scheme in place for the purpose of providing incentives and rewards to eligible directors and employees of the Group who contribute to the success of the Group's operations. The Group had not granted any share options to its eligible directors and employees during the current financial year.

As at 31 December 2023, the number of employees of the Group was 1,043 (31 December 2022: 1,088).

FINANCIAL REVIEW

Liquidity, financial resources and capital commitments

During the year, the Group generally financed its operations with internally generated resources. As at 31 December 2023, the Group had no interest-bearing bank borrowings (31 December 2022: Nil).

As at 31 December 2023, the Group recorded total assets of HK$1,466.4 million which were financed by liabilities of HK$366.3 million and equity of HK$1,100.1 million. The Group's net asset value per share as at 31 December 2023 amounted to HK$0.92 (31 December 2022: HK$0.88). The increase in net asset value per share was due to net effect of profit, exchange differences arising from translation of foreign operations and revaluation surplus of land and buildings during the year.

The Group had total cash and bank balances (including pledged deposits and cash and cash equivalents) of HK$753.9 million as at 31 December 2023 (31 December 2022: HK$738.3 million). As at 31 December 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 3.39 (31 December 2022: 2.78). The decrease in prepayments, deposits and other receivables by 15.2% to HK$47.2 million (31 December 2022: HK$55.6 million) was due to decrease in prepayments arising from less purchase during the year. The decrease in other payables and accruals by 19.3% to HK$206.7 million (31 December 2022: HK$256.2 million) was due to decrease in accrued salaries and bonus as a result of decrease in number of staff.

As at 31 December 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 ("HKD"), RMB and United States Dollars ("U.S. dollars"). Surplus cash is generally placed in banks as 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 the PRC, 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 PRC 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 31 December 2023, the major contracts in hand amounted to approximately HK$329.2 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 year ended 31 December 2023.

Charges on assets

As at 31 December 2023, the Group's investment properties in Hong Kong of approximately HK$65.7 million and bank deposits of approximately HK$4.9 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 31 December 2023. However, the Group always seeks for new investment opportunities in the software development and system integration business to broaden the revenue and profit base of the Group and enhance shareholders' value in the long term.

Contingent liabilities

At 31 December 2023, the Group did not have any significant contingent liabilities.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is firmly committed to the overall standards of corporate governance and has always recognized the importance of accountability and communication with its shareholders. The Company adopted all the code provisions of Corporate Governance Code (the "CG Code"), as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), as its own code on corporate governance practices.

In the opinion of the directors, the Company has complied with all the code provisions as set out in the CG Code throughout the year ended 31 December 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 of the Listing Rules as the Company's code of conduct and rules governing dealings by all directors in the securities of the Company. Upon being made specific enquiries by the Company, all directors of the Company confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2023.

BOARD OF DIRECTORS

As at 31 December 2023, the board of directors of the Company (the "Board") comprises six executive directors and three independent non-executive directors. The executive directors are 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 are Mr. Chan Chung Kik, Lewis, Mr. Lai Nga Ming, Edmund and Mr. Chak Chi Shing. To the best knowledge of the directors, there is no relationship (including financial, business, family or other material/relevant relationship) among members of the Board. The biographical details of each director are disclosed on pages 56 to 58 of this Annual Report.

The Board oversees the Group's strategic development and determines the objectives, strategies and policies of the Group. The Board also monitors and controls the operating and financial performance in pursuit of the Group's strategic objectives. Day-to-day management of the Group's business is delegated to the management of the Company under the supervision of the executive directors. The functions and powers that are so delegated are reviewed periodically to ensure that they remain appropriate. Matters reserved for the Board are the overall strategy of the Group, major acquisitions and disposals, major capital investments, dividend policy, significant changes in accounting policies, material contracts, appointment and retirement of directors, remuneration policy and other major operational and financial matters. It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives. The directors of the Company have access to appropriate business documents and information about the Group on a timely basis. All the directors of the Company have access to the Company Secretary who is responsible for ensuring that the Board procedures, and related rules and regulations, are followed. Minutes of Board/Committee meetings are kept by the Company Secretary and are open for inspection by the directors of the Company. All directors and Board committees have recourse to external legal counsels and other professionals for independent advice at the Group's expense upon their request. Appropriate directors' liability insurance cover has also been arranged to indemnify the directors of the Company for liabilities arising out of corporate activities.

The Board held four regular Board meetings at approximately quarterly intervals during the year ended 31 December 2023. Additional Board meetings were held when necessary. Due notices and Board papers were given to all directors prior to the meetings in accordance with the Listing Rules and the CG Code.

The attendance record of each director at the Board meetings and general meeting during the year is as follows:

Name of director	**Board meetings attended/ Eligible to attend**	**Annual General meeting attended/ Eligible to attend**
Executive Directors		
Mr. Qi Zi Xin *(Chairman)*	4/4	1/1
Mr. Shao Xing	4/4	1/1
Mr. Wang Jin Chao (appointed on 31 July 2023)	3/3	0/0
Mr. Hu Bin	4/4	1/1
Mr. Zhang Jian Guo	4/4	1/1
Ms. Wu Jing	1/4	1/1
Mr. Cheung Shuen Lung *(Former Chairman)* (resigned on 31 July 2023)	0/1	0/1
Independent Non-executive Directors		
Mr. Chan Chung Kik, Lewis	4/4	1/1
Mr. Lai Nga Ming, Edmund	4/4	1/1
Mr. Chak Chi Shing (appointed 12 June 2023)	3/3	0/0
Mr. Lau Ka Wing (resigned on 16 March 2023)	0/0	0/0

There are also three Board committees under the Board, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee.

Each newly appointed director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operation and businesses as well as his/her responsibilities under the relevant statutes, laws, rules and regulations.

Directors' training is an ongoing process. During the year, directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each director to discharge their duties. In addition, all directors are encouraged to participate in continuous professional development trainings to develop and refresh their knowledge and skills. The Company updates the directors on the latest updates regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

All directors have participated in continuous professional development and have provided to the Company the records of the training they received during the year ended 31 December 2023. The individual training record of each director received for the year ended 31 December 2023 is summarised below:

Name of director	Briefings and updates on the business, operations and corporate governance matters	Attending seminars, workshops or self-study of materials relevant to the business or directors' duties
Executive Directors		
Mr. Qi Zi Xin *(Chairman)*	✓	✓
Mr. Shao Xing	✓	✓
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	✓	✓

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code. The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices in compliance with legal and regulatory requirements, the compliance with the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

CHAIRMAN AND CHIEF EXECUTIVE

The roles of the Chairman and the Chief Executive are separate and are not exercised by the same individual. Mr. Qi Zi Xin is the Chairman of the Board. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in the discharge of its responsibilities. Mr. Shao Xing is the President of the Company. The President is responsible for the day-to-day management of the Group's business. Their respective role and responsibilities are set out in writing which have been approved by the Board.

NON-EXECUTIVE DIRECTORS

As at 31 December 2023, there are three non-executive directors, and all of them are independent. Each independent non-executive director has entered into a letter of appointment with the Company for a period of one year. Pursuant to the Bye-laws of the Company, one third of all the directors, including the non-executive directors, shall be subject to retirement by rotation at each annual general meeting.

On 16 March 2023, Mr. Lau Ka Wing resigned as an independent non-executive director of the Company ("INED") and ceased to be the member and chairman of the remuneration committee ("Remuneration Committee") and a member of the audit committee ("Audit Committee") of the Company (the "Resignation") due to his other business commitments. As a result, the Company failed to meet the requirements set out in (i) Rule 3.10(1) of the Listing Rules that the Company must have at least three INEDs; (ii) Rule 3.10(A) of the Listing Rules that the Company must appoint INEDs representing at least one-third of the Board; (iii) Rule 3.21 of the Listing Rules that the Audit Committee must comprise a minimum of three members; and (iv) Rule 3.25 of the Listing Rules that the Remuneration Committee must comprise a majority of INEDs.

However, following the appointment of Mr. Chak Chi Shing as an independent non-executive Director and a member of each of the Audit Committee and the Remuneration Committee on 12 June 2023, the Company has complied with the requirements under Rules 3.10(1), 3.10(A), 3.21 and 3.25 of the Listing Rules.

All of the three independent non-executive directors have appropriate professional qualifications or accounting or related financial management expertise. This composition is in compliance with the requirement of Rule 3.10 of the Listing Rules. Each independent non-executive director has, pursuant to Rule 3.13 of the Listing Rules, provided an annual confirmation of his independence to the Company and the Company also considers them to be independent.

REMUNERATION COMMITTEE

The Remuneration Committee of the Board was established in 2005 with specific written terms of reference which deal clearly with its authorities and duties. The role and functions of this committee include formulating the remuneration policy, making recommendations to the Board on the remuneration packages of all executive directors and senior management, making recommendations to the Board on the remuneration of non-executive directors, reviewing and approving performance-based remuneration, and ensuring that no director or any of his/her associates is involved in deciding his/her own remuneration.

In 2023, the Remuneration Committee met once to review and discuss the remuneration policy for the directors of the Company and the remuneration packages of all directors of the Company. The Company's policy on remuneration is to maintain fair and competitive packages based on business needs and industry practice. For determining the level of fees paid to the directors, market rates and factors such as each director's workload and required commitment will be taken into account. No individual director will be involved in decisions relating to his/her own remuneration. The Remuneration Committee adopts the model of making recommendations to the Board on the remuneration packages of individual executive directors and senior management. Information relating to the remuneration of each director for 2023 is set out in Note 8 to the Company's 2023 Financial Statements.

The members of the Remuneration Committee during the year and their attendance record at the meeting are as follows:

Name of member		**Meeting attended/Eligible to attend**
Mr. Lai Nga Ming, Edmund *(Chairman)*	*(Independent non-executive director)*	1/1
Mr. Qi Zi Xin (appointed on 31 July 2023)	*(Executive director)*	1/1
Mr. Chak Chi Shing (appointed on 12 June 2023)	*(Independent non-executive director)*	1/1
Mr. Lau Ka Wing (resigned on 16 March 2023)	*(Independent non-executive director)*	0/0
Mr. Cheung Shuen Lung (resigned on 31 July 2023)	*(Executive director)*	0/0

NOMINATION COMMITTEE

The Nomination Committee of the Board was established in 2012 with specific written terms of reference which deal clearly with its authorities and duties. Its terms of reference amended and adopted by the Board in December 2018 can be found on the Company's website (www.irasia.com/listco/hk/founder) and The Stock Exchange of Hong Kong Limited's website (www.hkexnews.hk). The role and functions of the Nomination Committee include determining the policy for the nomination of directors, setting out the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship. Only the most suitable candidates who are experienced and competent and able to fulfill the fiduciary duties and duties of skill, care and diligence would be recommended to the Board for selection. Appointments of directors are first considered by the Nomination Committee and recommendations of the Nomination Committee are then put to the Board for decision. The Nomination Committee is also responsible for reviewing the structure, size and diversity of the board.

The Board Diversity Policy was adopted by the Board on 30 August 2013. In designing the Board's composition, the diversity of the Board has been considered from a number of aspects including, but not limited to, gender, age, cultural and educational background, professional experience, skills, knowledge and length of services. Candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board. The Nomination Committee is responsible for reviewing the Board Diversity Policy on an annual basis; and reviewing the measurable objectives that have been set for implementing the board Diversity Policy, and reviewing the progress on achieving the objectives.

Out of the nine directors comprising the board, one of them is women. The Company is of the view that gender diversity in respect of the Board has been achieved. Three of the nine directors are independent non-executive directors, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of age, cultural and educational background, professional expertise and skills. The Board endeavours to steer forward and ensure that the Board has a balance of skills, experience and diversity of aspects appropriate to the requirements of the Company's business, and is committed to improving gender diversity as and when suitable candidates are identified.

Of the 1,043 employees (including senior management) of the Group during the reporting period, in which 425 are female, representing 40.7% of all employees. Accordingly, the Company considers that gender diversity is also achieved in its workforce generally.

The nomination policy of directors of the Company was adopted by the Board on 28 December 2018. The policy sets out the procedures, process and criteria for identifying and recommending candidates for election to the Board.

Selection Criteria

When evaluating and selecting candidates for directorships, the members of the Nomination Committee or the Board shall consider the following criteria:

(a) Character and integrity;

(b) Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategies;

(c) The Board Diversity Policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board;

(d) Willingness to devote adequate time to discharge duties as a Board member and other directorships and significant commitments;

(e) In case of independent non-executive Directors, whether the candidates would be considered independent in accordance with the Listing Rules;

(f) In case of re-election, the overall contribution and service to the Company of the Director to be re-elected and the level of participation and performance on the Board and the other criteria set out in this section; and

(g) Such other perspectives appropriate to the Company's business.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

Nomination Procedures

(a) The Nomination Committee and/or the Board identifies potential candidates including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agencies and/or advisors. The Nomination Committee then develops a short list of candidates and agrees on proposed candidate(s);

(b) Proposed candidate(s) will be asked to submit the necessary personal information, biographical details, together with their written consent to be appointed as a director. The Nomination Committee may request candidates to provide additional information and documents, if considered necessary;

(c) The Nomination Committee shall, upon receipt of the proposal on appointment of new director(s) and the personal information (or relevant details) of the proposed candidate(s), evaluate such candidate(s) based on the criteria as set out above to determine whether such candidate(s) is qualified for directorship;

(d) For any person that is nominated by a shareholder for election as a Director at the general meeting of the Company, the Nomination Committee shall evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship;

(e) If the process yields one or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable);

(f) The secretary of the Nomination Committee shall convene a meeting of the Nomination Committee. For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for re-election or election at a general meeting, the Nomination Committee shall make nominations or recommendations for the Board's consideration and the Board shall make recommendations to shareholders in respect of the proposed re-election or election of Director(s) at the general meeting;

(g) In order to provide information of the candidates nominated by the Board to stand for election or re-election at a general meeting, a circular will be sent to shareholders. The circular will set out the names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations including the Listing Rules, of the proposed candidates; and

(h) The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election or re-election at any general meeting.

In 2023, the Nomination Committee met once to review the structure, size and diversity of the Board, nomination procedure and the independence of the independent non-executive directors, and to recommend the Board on the appointment and reappointment of directors and the succession planning for directors.

The members of the Nomination Committee during the year and their attendance record at the meeting are as follows:

Name of member		Meeting attended/Eligible to attend
Mr. Qi Zi Xin *(Chairman)* (appointed on 31 July 2023)	*(Executive director)*	1/1
Mr. Chan Chung Kik, Lewis	*(Independent non-executive director)*	1/1
Mr. Lai Nga Ming, Edmund	*(Independent non-executive director)*	1/1
Mr. Cheung Shuen Lung (resigned on 31 July 2023)	*(Executive director)*	0/0

AUDIT COMMITTEE

The Audit Committee of the Board was established in 1998 in compliance with Rule 3.21 of the Listing Rules with specific written terms of reference which deal clearly with its authorities and duties. Its terms of reference amended and adopted by the Board in December 2018, can be found on the Company's website (www.irasia.com/listco/hk/founder) and The Stock Exchange of Hong Kong Limited's website (www.hkexnews.hk). The Audit Committee now solely comprises independent non-executive directors of the Company, namely, Mr. Chan Chung Kik, Lewis (Chairman), Mr. Lai Nga Ming, Edmund and Mr. Chak Chi Shing. All the committee members possess appropriate professional accounting and financial qualifications.

The primary responsibilities of the Audit Committee include making recommendations to the Board on the appointment, reappointment and removal of the external auditors, approving the remuneration and terms of engagement of the external auditors, reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, developing and implementing policy on the engagement of external auditors to provide non-audit services, monitoring the integrity of the financial statements and the reports of the Company, overseeing the Company's financial reporting system, risk management and internal control systems and developing and reviewing policies and practices or corporate governance.

In 2023, the Audit Committee met three times. During the meetings, the Audit Committee reviewed the reports from the independent auditors regarding their audit on annual financial statements, review on interim financial results, discussed the internal control of the Group, and met with the independent auditors.

The attendance report of the members of the Audit Committee at the meetings during the year are as follows:

Name of member		Meetings attended/Eligible to attend
Mr. Chan Chung Kik, Lewis *(Chairman)*	*(Independent non-executive director)*	3/3
Mr. Lai Nga Ming, Edmund	*(Independent non-executive director)*	3/3
Mr. Chak Chi Shing (appointed on 12 June 2023)	*(Independent non-executive director)*	2/2
Mr. Lau Ka Wing (resigned on 16 March 2023)	*(Independent non-executive director)*	0/0

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the ultimate responsibility to maintain appropriate and effective risk management and internal control systems for the Group to safeguard the interests of shareholders and the Group as a whole and to ensure strict compliance with relevant laws, rules and regulations. The Audit Committee is responsible for reviewing the effectiveness of the risk management and internal control systems and reporting to the Board.

The Group's risk management and internal control systems comprise a well established organisational structure and comprehensive policies and standards. Areas of responsibilities for each business and functional unit are clearly defined to ensure effective checks and balances. Procedures have been designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information used within the business or for publication. The Board also clarifies that the system is designed to manage, rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

During the year, the internal audit department has carried out an overview on the effectiveness of the risk management and internal control systems of the Group. Based on the risk-based approach, the internal audit department continuously review and monitor the sufficiency of the risk control measures of every business unit of the Group and to examine if relevant measures have been implemented. The procedures involve assuring the existence of related risks in the first place, then assessing the levels to which the potential risks are attributed based on the following two risk factors, i.e., the level of significance of the risk and the possibility of occurrence. No material internal control aspects of any significant problems were identified. With reference to the assessment of the internal audit department, both the Audit Committee and the Board conducted review of the risk management and internal control systems maintained by the Group including the financial, operational and compliance controls and risk management functions for the year ended 31 December 2023 and were satisfied that the risk management and internal control systems of the Group had functioned effectively and was adequate during the year.

INSIDE INFORMATION DISCLOSURE POLICY

An Inside Information Policy was adopted by the Company which sets out guidelines to the directors of the Company, officers and all relevant employees of the Group to ensure inside information (as defined in the Listing Rules) (the "Inside Information") of the Group would be disseminated to the public in equal and timely manner in accordance with applicable laws and regulations. The Company also established Group Internal Notification Policies and Procedures for setting out guidelines for identification and notification of Inside Information and notifiable transactions (as defined in the Listing Rules). A whistleblowing policy was also adopted by the Group.

AUDITORS' REMUNERATION

During the year, the remuneration in respect of audit and non-audit services provided by the Company's auditor, Ernst & Young, is summarised as follows:

	HK$'000
Statutory audit services	2,870
Non-audit services:	
Agreed-upon procedures on interim results	429
Agreed-upon procedures on continuing connected transactions	54
Compliance and tax advisory services	98
	581
Total	3,451

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors of the Company acknowledge their responsibility for the preparation of the financial statements of the Group for the year ended 31 December 2023 which give a true and fair view of the state of affairs of the Company and of the Group on a going concern basis in accordance with the statutory requirements and applicable accounting standards. The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 66 to 70 of this Annual Report.

COMPANY SECRETARY

Ms Cheang Yee Wah Eva ("Ms Cheang"), who is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, and the applicable laws, rules and regulations were followed, has been the company secretary of the Company since 11 May 2018. Ms Cheang has taken relevant professional trainings which are in compliance with Rule 3.29 of the Listing Rules for the year ended 31 December 2023.

COMMUNICATION WITH SHAREHOLDERS

The Company affirms its commitment to maintaining a high degree of corporate transparency, communicating regularly with its shareholders and ensuring, in appropriate circumstances, the investment community at large being provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable the shareholders to exercise their rights in an informed manner.

The Company's Annual General Meeting (the "AGM") is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to ask questions about the Company's performance. Separate resolutions will be proposed for each substantially separate issue at the AGM. Directors of the Company, including the Board members (Mr. Cheung Shuen Lung, the former chairman, absent) and Chairmen of the Board committees and Board committee members, and the Company's external auditor attended the 2023 AGM and were available to answer questions from shareholders.

Under the Listing Rules, all resolutions proposed at general meetings must be voted by poll except where the chairman of a general meeting, in good faith and in compliance with the Listing Rules, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Details of the poll procedures will be explained during the proceedings of general meetings. The poll results will be released and posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.irasia.com/listco/hk/founder).

To provide effective communication, the Company adopts a Shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and its Shareholders and maintains a website at www.irasia.com/listco/hk/founder. All the financial information and other disclosures including, inter alia, annual reports, interim reports, announcements, circulars, notices and Memorandum of Association and New Bye-Laws are available on the Company's website. The Board has reviewed its prevailing Shareholders' Communication Policy during the year, and believes the Shareholders' Communication Policy is still appropriate and effective.

Shareholders may direct their questions about their shareholdings to the Company's Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong or contact the Customer Service Hotline of the Company's Registrar at (852) 2862 8555. Shareholders may send their enquiries to the Board or the Company Secretary in written form to the head office and principal place of business in Hong Kong of the Company.

THE SHAREHOLDERS' RIGHTS

Convene a Special General Meeting

Pursuant to Section 74 of the Companies Act 1981 of Bermuda and Bye-law 62 of the Bye-laws of the Company, special general meetings shall be convened on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings of the Company. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring a special general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within three months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner.

Put forward proposals at shareholders' meetings

Shareholder(s) representing not less than one-twentieth (5%) of the total voting rights of all the shareholders of the Company or of not less than 100 shareholders of the Company may by requisition, at their own expense unless the Company otherwise resolves, to put forward proposals at general meetings of the Company pursuant to Clauses 79 and 80 of the Companies Act 1981 of Bermuda (as amended). A written notice to that effect signed by the shareholder(s) concerned together with a sum reasonably sufficient to meet the expenses in giving effect thereto must be deposited at the registered office of the Company not less than six weeks before the meeting for requisition(s) requiring notice of a resolution, or not less than one week before the meeting for any other requisition(s).

COMPANY CULTURE

The Board plays a leading role in defining the purpose, values and strategies of the Company, and aligning them with the culture of the Company. The Board sets the tone and shapes the company culture of the Company, which is instilled and continuously reinforced by the core values of acting lawfully, ethically and responsibly across all levels of the Company. The Company endeavours to act responsibly and maintain accountability to its employees, shareholders, other stakeholders, as well as the community. The Company's purpose, values and strategies form the foundations of the culture of the Company, which adheres to strong ethical values and strives for sustainable development.

DIVIDEND POLICY

Policy on Payment of Dividend of the Company is in place setting out the factors in determination of dividend payment of the Company, including results of operations, working capital, financial position, future prospects, and capital requirements, as well as any other factors which the Board may consider relevant from time to time. The policy shall be reviewed periodically and submitted to the Board for approval if amendments are required.

CONSTITUTIONAL DOCUMENTS

On 25 May 2023, the Company passed a special resolution at the annual general meeting to amend its Bye-laws. Please refer to the circular of the Company dated 21 April 2023 and its announcement dated 25 May 2023 for details.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This Environmental, Social and Governance ("ESG") Report (the "Report") aims to describe the system construction and performances of Founder Holdings Limited (the "Company" or "Founder Electronics") and its subsidiaries (the "Group") in fulfilling environmental and social responsibilities. This Report is published on the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (www.hkexnews.hk) and the Company (www.irasia.com/listco/hk/founder).The Report describes the Group's ESG performances during the financial year from 1 January 2023 to 31 December 2023 (the "Year").

Scope of reporting

The reporting scope of this ESG Report is discussed and confirmed by the senior management of the Group. This ESG Report covers the operating activities which are considered as material by the Group, including the operation of headquarter office and marketing campaigns of Founder Electronics. Founder Electronics is the Group's wholly-owned subsidiary with a headquarter office in Beijing, in which its business activities represent approximately 100% of the Group's total revenue.

Reporting standard

This Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "Guide") as set out in Appendix C2 to the Listing Rules of the Stock Exchange on the basis of the four reporting principles (i.e. materiality, quantitative, balance and consistency).

Materiality: The Group reviews and defines the reporting scope based on the significance of different operations. Business units and operations with significant ESG impacts are disclosed in the report.

Quantitative: The Group presents quantitative environmental and social key performance indicators ("KPIs") as well as historical data in the report for comparison where applicable.

Balance: The Report aims to disclose data in an objective way, which aims to provide stakeholders with a balance overview of the Group's overall ESG performance.

Consistency: Unless otherwise stated, the Group adopts consistent methodologies and retrieves social and environmental KPIs from the Group's internal record system. The scope of reporting and KPIs are consistent with those of the previous report to allow meaningful comparison over time.

Confirmation

As at the year ended 31 December 2023, the Group confirmed that it has established appropriate and effective management policies and internal control systems for ESG issues and confirmed that the disclosed contents are in compliance with the requirements of the Guide.

Feedback

The Group welcomes stakeholders to provide their opinions and suggestions. You can provide valuable advice in respect of the ESG Report or the Group's performances in sustainable development at ir@founder.com.hk.

BOARD STATEMENT ON ESG GOVERNANCE

The Group has established a sustainable corporate governance structure to ensure that the measures of sustainable development are integrated into the operations. The Group's corporate governance structure stipulates the responsibilities of the departments and subsidiaries, under the supervision of the Board of Directors (the "Board"), which has the overall responsibility for the Group's ESG strategy and reporting. The Board is responsible for evaluating and determining the Group's ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place.

The Board reviews issues and policies related to the Group's sustainable development annually, make amendments to the policies in a timely manner and review and approve the Report.

STAKEHOLDER ENGAGEMENT

The Group values our stakeholders and their views relating to its businesses and ESG issues. One of the key approaches is through stakeholder engagement, which enables two-way communication to receive valuable feedback and to act on improvement measures. The communication channels with respective stakeholder groups are highlighted as below:

Stakeholders	Communication channels	Possible issues concerned
Shareholders and Investors	• General meeting and shareholders' meetings • Financial reports, announcements and circulars • Company's website • Company hotline and email	• Business strategies and sustainability • Financial performance • Corporate governance
Customers	• Company hotline and email • Business meetings	• Services quality and reliability • Fair and reasonable pricing • Customer information security
Employees	• Employee activities • Training, seminars and workshops	• Training and development • Occupational health and safety • Employee remuneration • Equal opportunity
Suppliers	• Business meetings	• Fair competition
The Public	• ESG Report • Company hotline and email	• Investor relationship

Intelligent consumption reduction, the use of resources in the headquarters office, staff training and social welfare are the most important factors for the Company in terms of environment, society and governance, so they constitute the important reporting divisions in this report. Other measures related to environment, energy and climate change will be reviewed and considered by the Company in the next annual report.

I. ENVIRONMENTAL PROTECTION

The Group serves in the fields of printing, media, publishing, big data and fonts library and is committed to providing leading information processing technology, products, system solutions and value-added services to customers, enabling customers to experience an information technology life in the era of mobile Internet via different devices without time and space limitation. Apart from continuously enhancing business quality and providing value-added services to customers, the Group also recognises the importance of greater environmental stewardship and sustainable development of the community in order to ensure the holistic and harmonious development of our business alongside the environment and communities in which we operate. Throughout the past years, the Group has been actively fulfilling its corporate social responsibilities. It has a proven record in utilizing technology and combining comprehensive staff on-the-job training with its well-established governance system to actively reduce its overall impact on the environment from various aspects.

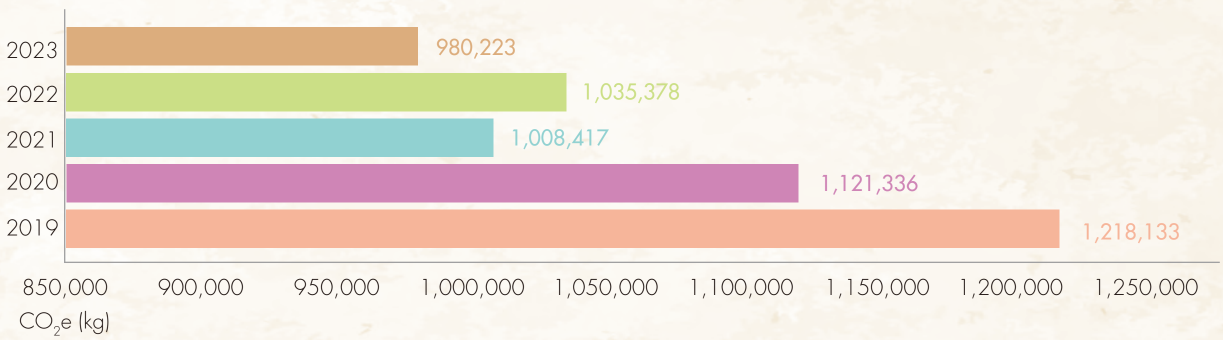
Due to the Group's office-based business nature, the Group does not cause a significant impact on the environment. The Group nevertheless continuously improves existing policies and incorporates new policies with the intention of mitigating potential direct and indirect negative environmental impacts arising from its business operations. Further details are included in the part of "Resource utilisation".

1. Carbon emission

The Group comprehensively enhanced its corporate image on both the environment and the community aspects and actively responded to the challenges and impact of climate changes on the global economy. Starting from 2017, the Group discloses its carbon emission data every year and integrated energy conservation and emission reduction into its long-term plan, pursuant to which it has formulated corresponding carbon reduction measures to lower the impact of its total emission of greenhouse gases to the community and the environment. At Beijing Founder Electronics Co., Ltd. ("Founder Electronics"), the wholly-owned subsidiary of the Group, carbon emission was mainly resulted from energy consumption and electricity used in computers, printing systems, lighting systems and information technology ("IT") systems for its core media business as well as exhaust gas from commercial vehicles. As the major source of power generation in Beijing was coal burning, Founder Electronics has focused its work in relation to energy conservation and emission reduction by saving electricity and reducing consumption of resources with an aim to reduce the greenhouse gases generated from coal burning.

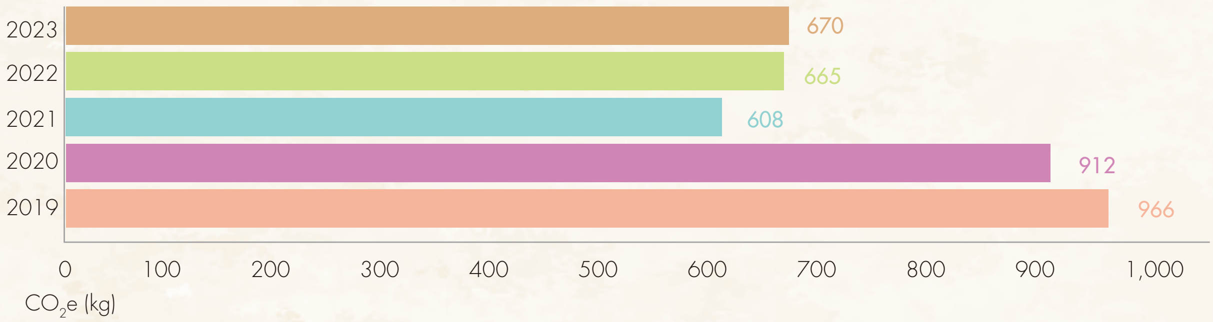
The total emission of greenhouse gases generated from purchased electricity for the year of Founder Electronics are as follows:

TOTAL EMISSION OF GREENHOUSE GASES GENERATED FROM PURCHASED ELECTRICITY (LAST 5 YEARS)



1. Carbon emission *(continued)*

THE TOTAL GREENHOUSE GAS EMISSIONS PER EMPLOYEE (LAST 5 YEARS)



The continuous increasing trend of total emission of greenhouse gases generated from purchased electricity by year is mainly due to the increasing business volume of Founder Electronics and the appropriate overtime work of employees. The total greenhouse gas emissions per employee increased from approximately 665 kg in 2022 to approximately 670 kg in 2023 with a slightly increase. The Group will encourage employees to save electricity in accordance with the "Measurements for energy saving" in the "Resource utilization" section below.

2. Climate change

One of the major reasons for climate change which is global warming driven by human emissions of greenhouse gases has raised the public's concern for many years. The Group is aware of significant climate-related issues such as high temperature, typhoon, flooding, wildfire or other extreme weathers, have threatened the human lives and economic activities. Despite having only minimal direct emissions, our Group strives to reduce the greenhouse gases generated from our operations so as to relieve the climate change. The Group identifies the global warming issue and concerns about its impacts, and commits to reduce the emissions of greenhouse gases by encouraging our employees to switch off lights and electronic equipment when not in use, travel to work by public transportation and recycle the working papers.

3. Resource utilisation

The Group worked diligently to enhance the utilization rate of various materials and resources, including energy, water and paper, and strive to enhance the reutilization rate and recycling rate of resources and reduce the amount of waste produced so as to consistently implement its environmental protection concepts to all operational levels and production processes. Founder Electronics always exercises stringent control over its production process to minimize any hazardous or non-hazardous waste to be generated from the company's operation. By doing so, it has reduced waste from production, eased the pressure of waste handling of the community and enhanced the environmental standards of the company.

During the reporting period, the Company has no hazardous waste, and when disposing of harmless waste, the Company will select qualified waste-collection companies for the handling.

Reducing consumption by intelligent solution

Given its leading position in the printing industry and in terms of modern media technology, Founder Electronics actively undertook its environmental mission and launched the innovative "Founder All-in-one Solution". The solution integrates printing and digital network and applies intelligent printing to the whole production process, including automatic review, analysis and categorization of orders as well as automatic allocation of necessary materials and assessment of the amount of consumables needed for the orders. The accurate data on actual volume of production and demand would enable more precise control over utilization of materials and thus realize printing on demand, resulting in significant decrease in both consumption of materials and unnecessary paper and improvement in production efficiency.

3. Resource utilisation *(continued)*

Reducing waste by high-end digital printing technology

The high-end digital inkjet printing technology developed by Founder Electronics can maximize the utilization rate of ink and reduce the amount of unnecessary unrecyclable waste with the use of recyclable toner cartridge and ink cartridge. Looking forward, Founder Electronics will put consistent efforts in development and innovation, improving its production process, and enhancing productivity with an aim to truly realise green production.

Measurements for energy saving

The Group focused on reducing various pollutants and proactively reduced the volume of waste generated and enhanced the utilization efficiency of resources through various methods.

Light energy

The Group reduces unnecessary lighting energy consumption; maximize the use of daylight and turn off the light of office rooms that are not being used; clean the lighting and lamps regularly to improve energy efficiencies; use lighting with high energy efficiencies (e.g. T5 fluorescent light and LED).

Air conditioning resources

The Group established policies on better use of air conditioning resources with the lowest temperature of air conditioner being set at 25.5℃ and turn off the air conditioner of office rooms that are not being used during the office hours. After work, all departments shall turn off the power supply of office equipment in time. Special email will be sent before every holiday to remind all employees to turn off the power supply of office equipment.

Paper resources

The Group promotes paperless office by using an electronic working system that replaces paper records and communicate through electronic technical equipment to reduce paper documentation.

Printing resources

The computers and printers are preset for double-sided printing and ink-saving mode; staff are reminded to print documents on both sides and the files to be printed may use thinner fonts and row spacing.

Water resources

To enhance the utilization efficiency of water resources, the Group can obtain the suitable water source steadily, lower the water pressure to the lowest possible level; install double flush toilets in the washroom; conduct leakage testing of concealed water pipes regularly and use the products with first-class water efficiency label.

Information and communication technology equipment

The information and communication technology equipment are completely turned off during non-office hours, and the computers are set to enter automatic standby and sleep mode when it is idle. A wireless network recorder is installed to monitor the temperature and humidity of the data center, so as to better regulate the energy consumption of air conditioning.

Recycling and retrieve

The headquarters office building of the Group is equipped with recycling boxes and facilities. Evaluation for the material consumption is needed when purchasing office supplies so as to avoid excessive inventory. The Group also reduces the purchase and use of disposable and non-recyclable products, such as purchasing recyclable toner boxes and ink cartridges.

3. Resource utilisation *(continued)*

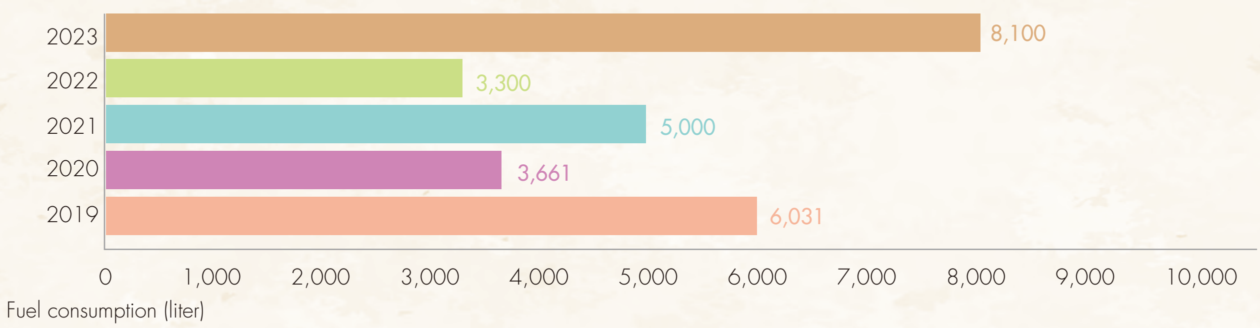
Measurements for energy saving *(continued)*

Staff commuting

Employees are encouraged to share the use of cars and choose public transportation and green commuting to alleviate road burden and vehicle exhaust gas emissions.

Starting from 2017, the Group discloses its utilization of resources to the public every year, the specific details of recent 5 years are as follows:

THE TOTAL FUEL CONSUMPTION OF THE HEADQUARTERS' SELF-OWNED VEHICLES



The total fuel consumption of the headquarters self-owned vehicles in 2023 was approximately 8,100 liters, an increase by nearly 2.5 times, mainly due to the ease of COVID-19 epidemic and thus the business activities and travels returned to normal standard, as compared to 3,300 liters in 2022. As the reporting year has reached a low level and has declined significantly year by year, the Group aims to maintain the current level in the next year.

	Category	**Emission this year (kg)**
Exhaust gas	Sulphur oxides	0.119
	Nitrogen oxides	50.7
	Particulate matter	4.9

Scope	**GHG emission this year (CO_2-e kg)**
Scope 1: Direct GHG Emissions	21,933.7
Scope 2: Energy Indirect GHG Emissions	676,279.6
Scope 3: Other Indirect GHG Emissions	205.8
Total GHG emission	698,419.1
GHG intensity (CO_2-e kg/employee)	669.6

3. Resource utilisation *(continued)*

Due to the business nature of the Company, the non-hazardous waste produced is immaterial data, the Company considers to try and to collect more data and improve the report scope in the future.

	Category	Energy consumption of this year (1,000 kWh)
Energy use	Direct energy	78.5
	Indirect energy	1,108.5
	Total energy consumption	1,187.0
	Energy intensity (1,000 kWh/employee)	1.1
Resource use	Total water consumption (tonne)	259.7
	Water consumption intensity (tonne/employee)	0.25
	Total packing material used (tonne)	5

II. QUALITY OF WORKING ENVIRONMENT

1. Working environment

The Group has been actively devoting significant resources with a vision of providing a safe and comfortable working environment for its staff and creating a healthy, positive, harmonious and efficient corporate culture that supports its staff at different locations to unleash their potential and hence create more values for the Group continuously. The office building of headquarter rented by Founder Electronics in Beijing has an area of approximately 13,274 sqm. The building was divided into different sections according to departmental functions, which include sales department, research and development department, functional departments and public areas, complemented by pantries and staff rest areas, offering a spacious and comfortable working environment for 1,043 staff.

2. Health and safety

Occupational health of employee

Founder Electronics always regards staff interests as the foundation of long-term corporate development and cares for physical and mental wellness as well as safety of its staff. We understand that the staff would be devoted to the Group's business in their best conditions and continuously create values for the Group only if they have good physical fitness and mental being. Throughout the years, the Group has made strenuous efforts in maintaining occupational safety and caring for its staff. Previously, we have engaged professionals of Chinese medicine to organize a salon, at which the professionals made diagnosis for our staff and gave professional advice on healthcare.

2. Health and safety *(continued)*

Operational compliance

The Group has complied with local safety regulations, striving to place safety in the first place at every operational level. The Group organises fire drills on a regular basis, through which the staff gain knowledge regarding fire safety and their safety awareness raises. In the future, Founder Electronics will continue to adhere to the core people-oriented principle to care for its staff from various aspects and organize different activities to enhance the wellness and safety awareness of its staff.

Internal policy

The Group adopts the following occupational health and safety measures to ensure the occupational safety of staff.

The Group has formulated "The safety management rules of Beijing Founder Electronics Co., Ltd. (北京北大方正電子有限公司安全管理規則)" to provide all staff of the Group with safety guidance within the office and working scope, as well as management rules for safety supervision. In addition, the Group has formulated "The comprehensive emergency plan for safety incidents of Beijing Founder Electronics Co., Ltd. (北京北大方正電子有限公司安全事故綜合應急預案)" to provide emergency plans for emergencies and safety accidents caused by energy, fire protection, network safety and public health, so as to ensure the health and safety of staff and to enhance the strain capacity of the Group in continuous operation.

Employment contract

In the employment contract entered into between the Group and the staff, relevant provisions on labour protection and occupational hazard protection are included. For example, Article 3 states that Founder Electronics has to provide necessary office conditions and labour safety protection for the staff, and establish and improve the working process, job specification and system for labour safety and health. In addition, Article 5 also states that Founder Electronics has to create working environment and conditions for the staff that meet the national occupational health standards and health requirements, and effectively protects the safety and health of staff in production in accordance with the relevant national labour protection regulations. The Group has strictly implemented the above regulations.

In 2023, the number of work-related injuries was 0, so there was no loss of working days due to work-related injuries. In addition, the number and rate of work-related fatalities were both 0.

3. Development and trainings

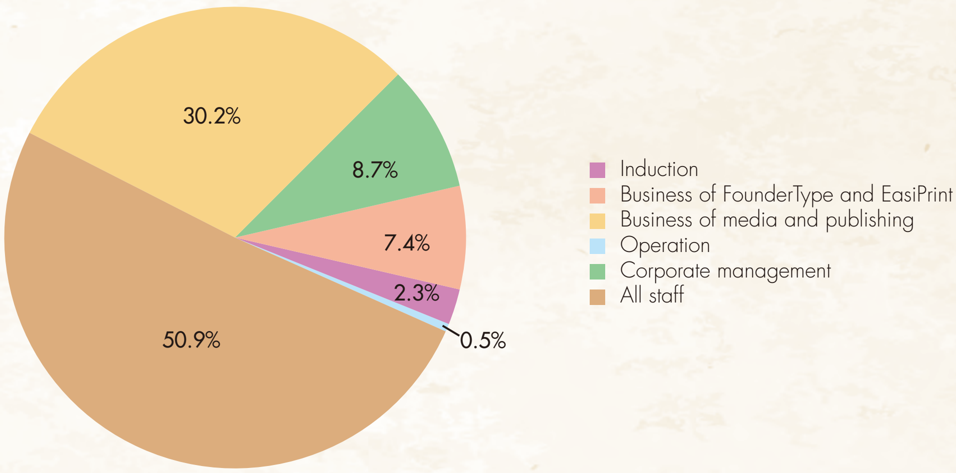
The Group always treats its staff as the most important asset and most valuable resource of the Group. They drive the continuous development of the Group and take the Group to new heights. The Group strives to provide diversified trainings for its staff at different aspects, so that its staff can gain a variety of professional knowledge and continue to develop their abilities, explore potential, enhance professional skills and broaden the horizons. In this regard, the Group launched a series of training programs, covering staff at all levels from new employees to senior management. Apart from free public courses organised by the Human Resources Department, the Group also provided diversified professional trainings targeting different business areas. In 2023, training activities organized by Founder Electronics attracted 2,045 participants in total. These activities have helped staff to better connect with the corporate culture and system and also enhanced their comprehensive capability as well as the capacity for sustainable development of the Group.

3. Development and trainings *(continued)*

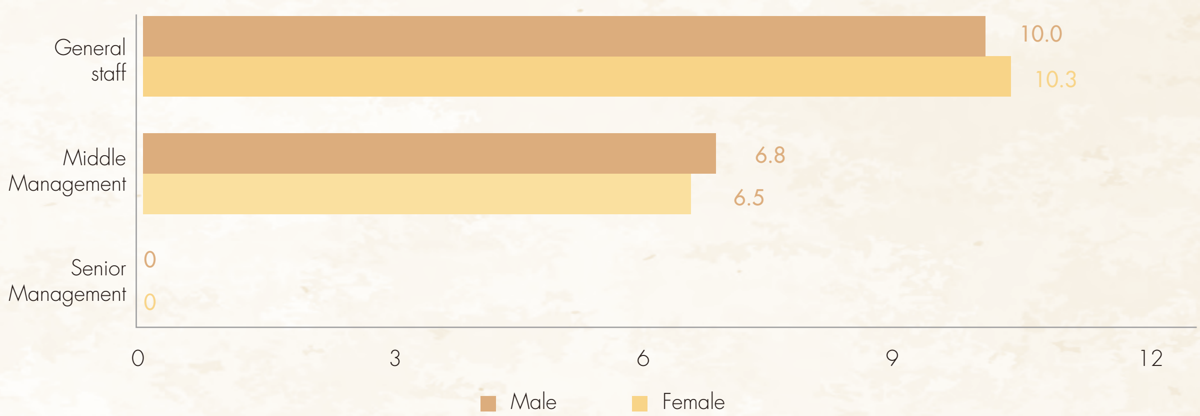
Target group for training

All kinds of training activities of the Group covered the staff of all levels and departments, including corporate management, business of FounderType and EasiPrint, business of media and publishing, operation, induction and all staff, so that employees of all departments can have sufficient and comprehensive understanding of their jobs, industry development, innovative technology and corporate culture. In addition, training activities included workshops for workplace social and interest class. The number of participated employees from all departments is as follows:

PERCENTAGE OF PARTICIPANTS IN TOTAL



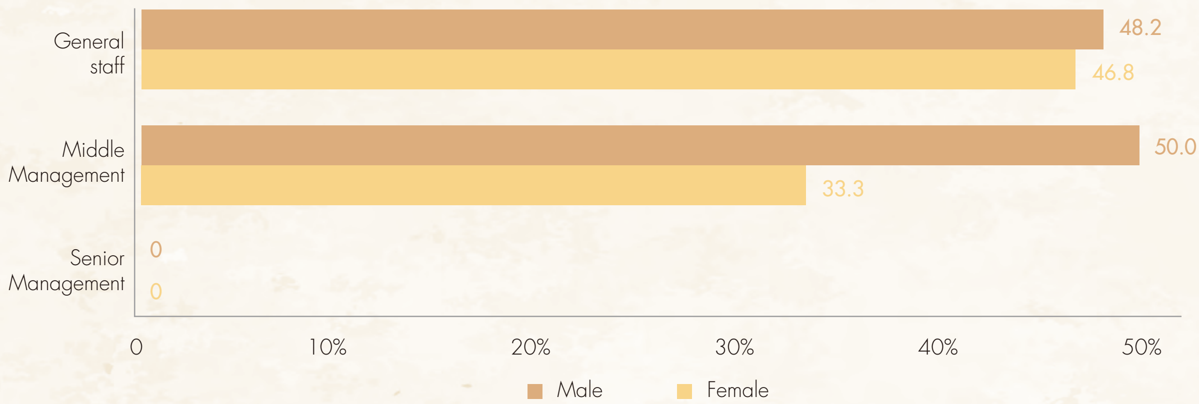
AVERAGE TRAINING HOURS PER CAPITA BY EMPLOYMENT TYPE



3. **Development and trainings** *(continued)*

Target group for training *(continued)*

PERCENTAGE OF TRAINED EMPLOYEES OF RELEVANT CATEGORY BY GENDER AND EMPLOYEE TYPE



Founder Electronics actively organized various activities targeting different types of business for its staff with a view to providing them with the most thoughtful and effective staff training programs.

Project Orange Merit Camp (橙功營項目): Targeting high potential cadre-employees, aiming to enhance the comprehensive abilities of trainees. Through the form of "Sand Table Simulation (沙盤模擬) + practice workshop (工作坊實戰) + book reading club (讀書會) + senior-executive teaching (高管授課)", ranging from business operations, efficient meetings, customer service, to talent management, etc., we aimed to broaden the horizons and cultivate the comprehensive qualities required for high potential cadre-talents.

3. Development and trainings *(continued)*

Target group for training *(continued)*

"Orange Elite Camp (精橙營)", the New Manager Training Camp: The "Orange Elite Camp", the new manager training camp of current year invited new promoted team managers to participate, helping trainees to clarify the key competencies of managers and to master the management knowledge through "online learning + offline workshops (線上學習+線下工作坊)". The camp from mobilized the employees both online and offline, gathered teams, guided subordinates, to promoted collaborative communication and problem-solving, assisting trainees in transitioning from individual contributors to team managers.



Advanced Training for Software Exam: In order to encourage and support employees to obtain advanced software exam qualifications, a total of 160 employees participated in the training, which organized systematic learning on "System Architecture Designer (《系統架構設計師》)", "Information System Project Manager (《信息系統項目管理師》)", and "Network Planner (《網絡規劃師》)". According to statistics, in this software exam, 8 people of System Architecture Designers and 5 people of Information System Project Managers received good training results.

Core Tasks Training for Managers: As part of the Q12 research study, the "Four Core Tasks for Managers (《管理者四項核心要務》)" training empowered the managers to learn tools and methods for interpreting Q12 reports, promoting the improvement for team work experience, and carried out a 4-week practical action. The subsequent BP reports and feedback were provided on a team basis to drive more changes to occur on a larger scale.



3. Development and trainings *(continued)*

Target group for training *(continued)*

Orange Start (橙啟航), New Employee training: held once a quarter, communication strategies, products introduction, culture transmission were conveyed to help new employees to understand the company quickly, so as to integrate into the team, and smoothly transit the "new employee period (新人期)".

4. Labour standards

Equal and diversified employment opportunities

The Group strives to provide equal and diversified employment opportunities for its staff and strictly complied with the principle of fairness and anti-discrimination. Founder Electronics respects gender equality. Staff are provided with the same benefits and their remuneration are determined with the same method for new recruitment, promotion and determining level of remuneration. Promotion is based on personal competence instead of other factors such as gender and age. Furthermore, Founder Electronics includes its commitment to fairness and equity in the Company's rules, so that all employees are treated equally and all kinds of discrimination are strictly forbidden. The Group also encourages mutual respect among staff members in a view to creating a harmonious and friendly working environment.

In 2023, the Company had 1,043 regular employees, including the increase of 60 full-time employees and nil part-time employees. In addition, the Company has 40 contract employees, including 26 interns and 14 retirees by reemployment. Regarding the data of part-time employees, contract employees and interns divided by gender, age group, employment type and region, due to the limitations of the data collected this year, it will be improved in the next annual report.

Ensure the rest time of staff

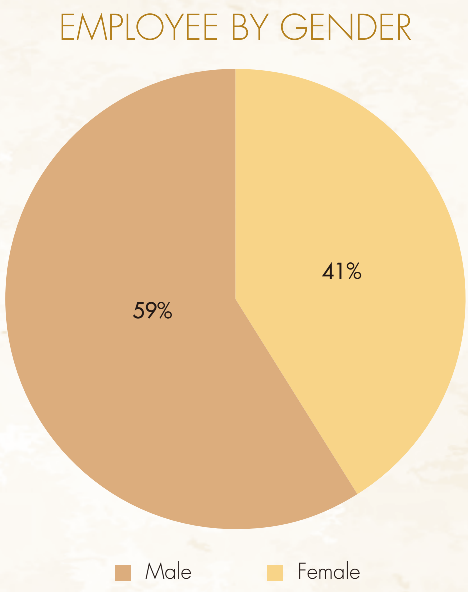
Moreover, the Group strictly abides by the Labour Law of the PRC and the Labour Contract Law of the PRC and will review its employment terms on a regular basis and issued the "Management Rules for Attendance and Holiday (考勤及假期管理制度)", which effectively avoids the problem of prolonged working hours or forced labour and ensures the rest time of its staff by imposing stipulated number of working hours.

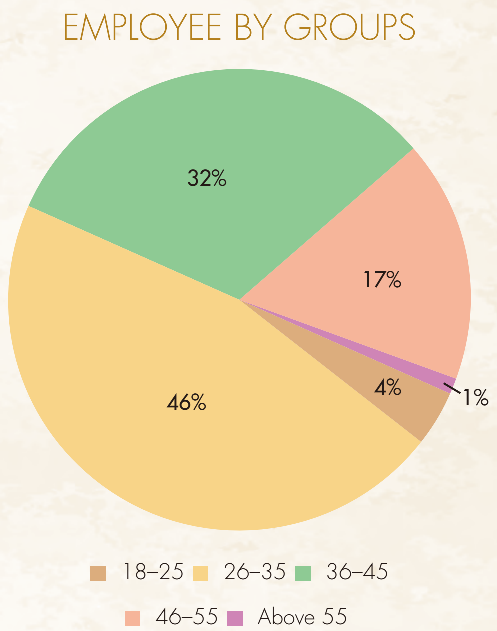
Prevention of the employment of child labour

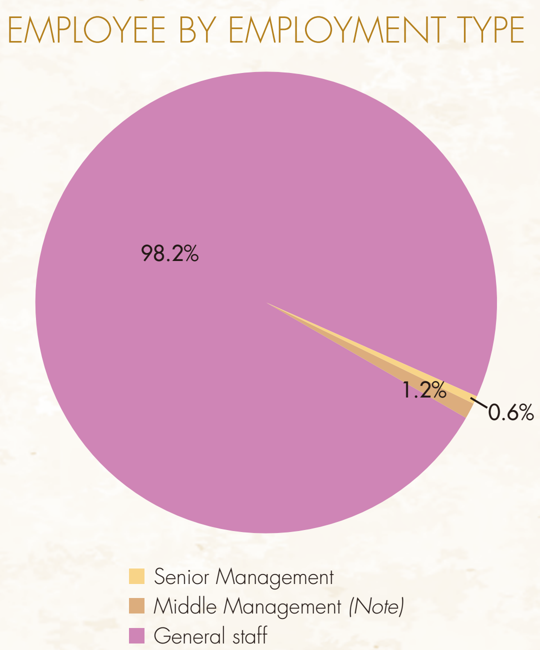
The Group strictly abides by the provision of Article 15 of the Labour Law of the PRC, Article 28 of the Law on the Protection of Minors of PRC and Article 2 of the Prohibition of Child Labour Provisions (Order No. 364 of the State Council) that all the minors under the age of 16 are forbidden to be recruited. For staff recruitment, the Group strictly abides by the Labour Contract Law of the PRC. Founder Electronics has established a requirement for minimum academic qualification for employment to ensure that no child labour is employed and only adults over 18 years old are recruited.

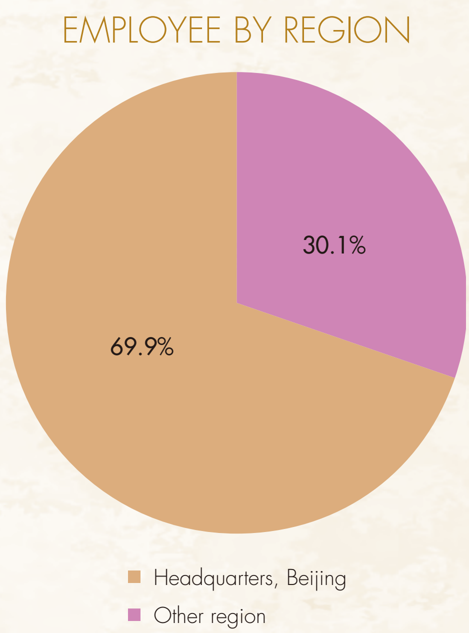
4. Labour standards *(continued)*

A detailed classification of our staff by gender, age groups, employment type and region set out as below:







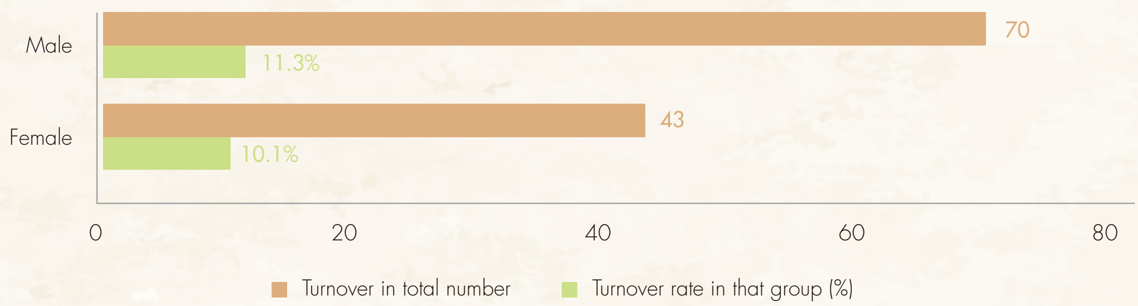


Note: The Middle Management defined as "the principal and deputy positions of the first level departments except the Senior Management".

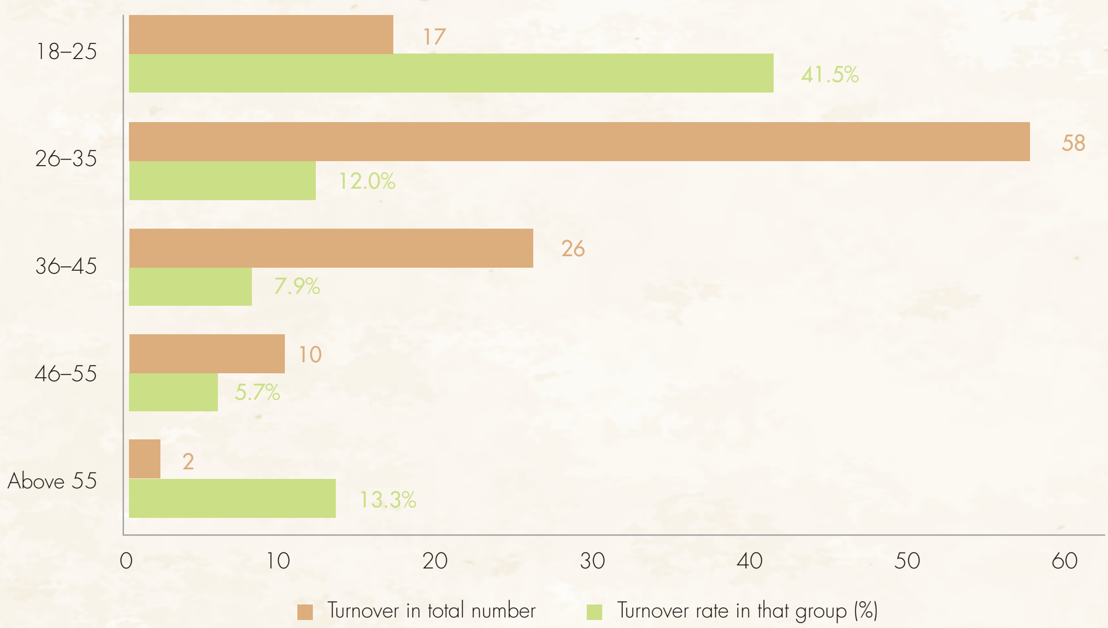
4. **Labour standards** *(continued)*

A detailed classification of staff turnover rate by gender, age groups, employment type and region set out below:

STAFF TURNOVER IN NUMBER AND IN RATE BY GENDER

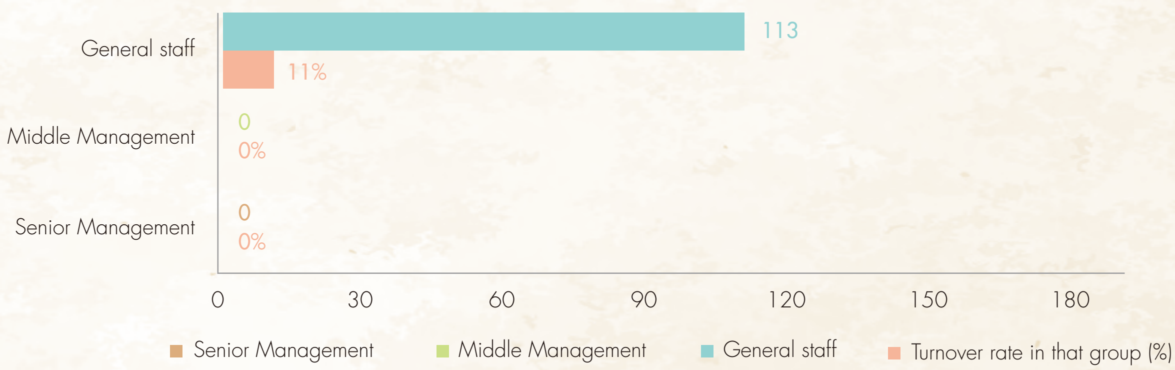


STAFF TURNOVER IN NUMBER AND IN RATE BY AGE GROUPS

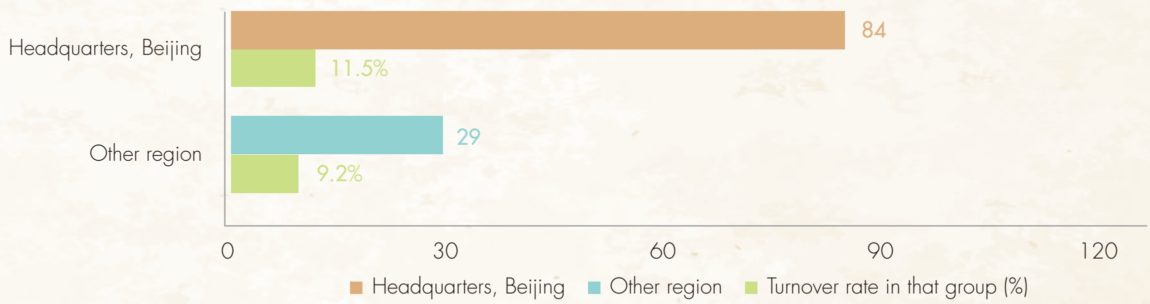


4. **Labour standards** *(continued)*

STAFF TURNOVER IN NUMBER AND RATE OF THAT GROUP BY EMPLOYMENT TYPE



STAFF TURNOVER IN NUMBER AND RATE OF THAT GROUP BY REGION



5. Staff welfare

The Group adhere to the core people-oriented principle, respecting the rights and interests of our employees and has already established a comprehensive welfare system, providing its staff with statutory benefits in strict compliance with the provisions of the Labour Law in the PRC, Labour Contract Law of the PRC and Regulations on the Administration of Housing Provident Fund, the scope of which covers provident fund, pension insurance, social insurance, additional commercial insurance, medical insurance, unemployment, maternity and work injury, etc.

Social insurance

Regarding the various bases of premium of social insurance for staff, Founder Electronics strictly complies with the regulations of Social Insurance Law of the PRC, implements and pays the premium in accordance with the national and local regulations to ensure that staff is guaranteed of statutory social protection.

Additional commercial insurance

Founder Electronics provides comprehensive medical insurance, personal accident insurance for staff and provides traffic accident insurance for staff with specific job needs, in order to provide staff with better medical and accident protection and more caring as well as comprehensive medical benefits.

Staff dormitory

Founder Electronics offered first-class accommodation for its staff. The dormitory was equipped with thoughtful facilities that take care of all aspects of lives of our staff, making every effort to show its care for the staff and providing them with comfortable, home-like dormitory equipment. Furthermore, Founder Electronics added one more laundry room for the staff living in youth apartment in order to satisfy the demand for washing and drying of clothes, and reduce their waiting time. In addition, there were 8 old air conditioners being replaced for improving the quality of lives of staff. Founder Electronics ceaselessly enhanced the overall living standards of the dormitory, which has in turn enhanced staff morale and their sense of belonging to the company.

Other benefits

To show the Company's care and attention to staff, Founder Electronics provides health check-ups for free.

5. Staff welfare *(continued)*

Staff activities

In 2023, Founder Electronics held a festival event for staff, so that staff could feel more belonging to the Company, and enhance the cohesion of the Company, reflecting the company's care for staff, showing a harmonious corporate culture.

"Joyful Moon Games" – Gathering of Mid-Autumn Festival of Electronics Family

On the occasion of the Mid-Autumn Festival and National Day, Electronics Family held a fun event called "Joyful Moon Games" on 27 September. Over 500 staff participated in playing four immersive games and fun lucky draw activity to light up holiday surprises in a joyful atmosphere!

Staff reward

In the aspect of environmental governance, Founder Electronics sets incentive targets for staff's performance according to two criteria. One is to reward the staff who carried out the replacement of plug-in board with a small commemorative prize. The second is the staff who actively put forward effective suggestions on environmental improvement to the department of administration, who will be rewarded with an exquisite gift if the suggestions were adopted.

III. OPERATING PRACTICE

1. Supply chain guidance on environmental and social risks

The Group puts great emphasis on quality of supply chain management and the possible impact on the environment and society in the supply process, such as how to save on the transportation process of the supply chain, so as to reduce the emissions of greenhouse gases and pollutants released from the transportation process. Therefore, the selection of suppliers will be based on the supply mode, supply content, supply cycle, location of customer, special policy requirements of manufacturers or users, business terms and other comprehensive conditions. The Group provides the internal guidance on the supply chain:

Environmental considerations

The location of suppliers

The Group will give priority to the local suppliers, and deliver the product directly to the customer's location, instead of arranging shipment through the Company's warehouse, so as to save transportation cost and resources and reduce the emission of greenhouse gases and pollutants.

Software products suppliers

The Group will give priority to the suppliers that can provide virtual authorization with non-physical supply methods in order to reduce transportation.

On site implementation and service suppliers

Based on the actual project situation, the Group will prioritise customers' location when considering supply made thereto.

Production and processing suppliers

In the early stage of cooperation, the Group will conduct a comprehensive assessment on its business qualification, and require it to have environmental qualification to prove that the production and processing does not constitute a negative impact on the environment, otherwise the Group will not cooperate with such suppliers.

The links of supplier selection and procurement contract signing

After receiving the demand of procurement, the procurement staff first selects the supplier according to the factors such as the limitation of supply area of the procurement product, the special requirements of user, and the location of service. For products with a long delivery period, the signing of sales contract, payment collection, environmental conditions of customer site will be confirmed to the relevant departments and approved according to the company's approval authority.

1. Supply chain guidance on environmental and social risks *(continued)*

The links of product delivery or service implementation

Before the delivery of products, the procurement staff should clarify the specific requirements of the sales contract before delivery, and the management staff of sales contract of the Operation Department should notify the procurement staff with the status of signing of the contract, the customer's payment for goods, the satisfaction of delivery conditions, the availability to arrange direct delivery to the customer's designated location, and other information about the customer's on-site receiving and unloading conditions. If the delivered products are easy to be damaged and will cause pollution and damage to the environment, the procurement staff will notify the shipper to reinforce the packaging before delivery.

For virtual authorization and other non-physical supply of goods, after the confirming the satisfaction of delivery conditions, the procurement staff shall notify the supplier to provide authorization or account information by e-mail and activate relevant services.

For the service requirements that need to be implemented on site, the payment terms of procurement are linked with the quality of implementation in the contract, and a reasonable default ratio is agreed to constrain the supplier. At the same time, the procurement staff are required to follow up the procurement progress on a regular basis, and give early warning in case of special circumstances, so as to avoid the occurrence of situations that affect the delivery and acceptance.

2. Supply chain management

The background for introduction of suppliers

In response to the changes in the business environment and needs for business development, the Company exercises caution in introducing new suppliers while reviewing the existing structure of supply chain on a regular basis. The introduction of new suppliers is due to the needs of new business development. First, there are no existing suppliers in the original supplier system that can meet the needs of new business supply. Second is regarding the original business. There are already suppliers in the original supplier system that can meet the supply requirements, but in order to improve the capacity of the supply channel, suppliers with better quality, pricing or business conditions can be introduced to form a more competitive supplier system.

Supplier Introduction Rules

The Group puts great emphasis on business quality, thereby adhering to the principles of fairness, justice and openness in terms of selection of suppliers. Therefore, Founder Electronics has formulated the "Supplier Introduction Rules (供應商引入規則)" to select appropriate suppliers in strict compliance with the rules and regulations. Any supplier that have never traded with the Group are required to complete comprehensive assessment on business qualification and the relevant approval procedures for introduction of supplier before a new transaction.

2. Supply chain management *(continued)*

The procedures for introduction of suppliers

The Group will arrange on-site visits to the manufacturers regularly in light of its attention to the testing and verification on product quality. In addition, a set of stringent standards for selection of suppliers with qualifications is in place and the specific requirements are as follows:

- Basic qualification requirement: Suppliers shall provide respective records of their qualifications, including the certificate of Unified Social Credit Number, identity card of legal person, basic information and financial statements of suppliers. If the supplier is a channel provider, it is also required to provide the qualification document proving that it is duly authorised by the manufacturers;

- Focus of Review: Founder Electronics will perform due diligence on basic information of suppliers and evaluate if their operating condition is excellent from the corporate financial statements to estimate its performance ability;

- Requirements on commercial conditions: Founder Electronics will enter into supplier contracts/agreements and non-corruption agreement with the suppliers who satisfy the qualification requirements. The agreements will specify the terms upon mutual agreement, such as the payment condition, delivery date and after-sale terms and will be subject to approval by the legal, operation, procurement and financial departments;

- Qualifications of environmental assessment: For suppliers engaging in processing, Founder Electronics maintains strict qualification requirement on the environmental assessment of manufacturers, otherwise such cooperation will not be considered;

- Special requirements: Founder Electronics exercises caution to a certain extent in introducing new suppliers, in which the differences of commercial conditions between newly introduced and the existing suppliers must be specified. For long-term corporate suppliers, Founder Electronics pays attention to where the supplier is located, whether the supplier can supply high-quality products in a long-term and stable manner, and whether it will continue to offer at relatively reasonable costs; while for project-specific based corporate suppliers, we pay attention to the degree to which the project is satisfied, such as delivery date and after-sales guarantee of the project, etc..

Scope of application

The relevant management system for introduction of new suppliers is applicable to all suppliers cooperating for the first time. In terms of the cooperative suppliers, the suppliers for the major business, which have transactions within the year, need to be evaluated. For the one-time cooperative suppliers of non-major business, option is available for arranging the evaluation frequency depends on the anticipation of future cooperation.

2. Supply chain management *(continued)*

Evaluation mechanism for existing cooperative suppliers

1. Evaluation cycle

For the suppliers in cooperation, the comprehensive assessment is carried out quarterly and annually, with the consideration of different assessment elements.

2. Evaluators

According to the type of the supplier and the business direction of main business, each supplier will be evaluated by the personnel in different sectors such as development, service, sales, products and procurement, depending on the situation.

3. Evaluation dimension

According to the different service contents of suppliers, the evaluation dimensions of suppliers include but are not limited to the several of large aspects of quality, cost, service, date of delivery, financial position, technical ability and system flow, etc.

Founder Electronics will conduct regular assessment on the existing suppliers. Comprehensive evaluation shall be conducted on product qualification rate, frequency of quality accidents, price, payment terms, enthusiasm for cost reduction, on-time delivery rate, delivery time optimization, service satisfaction, technical capabilities, and system processes. If there are bad records in the annual cooperation, evaluation points will be deducted according to different degrees. If the total score is less than 60 marks, the cooperation will be terminated.

Selecting criteria for suppliers that meet environmental protection products and services

1. In relation to product solution, according to the requirements of national environmental protection policies in the field, enterprises meeting environmental protection requirements shall be selected for strategic cooperation, and relevant products meeting environmental protection requirements shall be used, or equipped with environmental protection, so as to provide customers with high-quality products in the form of comprehensive solutions.

2. Product suppliers in special fields shall provide relevant certification recognized by the field such as 3C certification, quality management system certification, etc. before the first cooperation. If there is no relevant certification, the approval for new supplier introduction will not be passed.

3. For products delivered in short distance, on the premise of ensuring product quality and safety, unnecessary packaging materials will be reduced so as to reduce procurement costs on the one hand and save resources on the other hand. The relevant implementation and supervision of this part can be reflected through the optimization of case's procurement cost.

4. For the strategic co-operative suppliers that supplying the liquated products, the quality and specification of the products should be optimized, under the predominance status and market satisfaction of the Group. By using the environmental materials which are difficult to damage and increasing the capacity of specification packing material will be reduced in the mass. In addition, the decreased volume of delivery can be achieved by further altering the ordering habit of customers, changing the order mode of high-frequency-low-capacity to low-frequency-appropriate-amount.

2. Supply chain management *(continued)*

Selecting criteria for suppliers that meet environmental protection products and services *(continued)*

5. Concerning the situation of damaged and hurt to environment during the transportation, the Group will increase the strength of management towards the suppliers. The goods should be insured in light of appropriate proportion before delivery. If the situation of the damage still exists, the procurement department should inform the business department immediately in order to claim the equal or above-equal compensation cooperatively towards the suppliers and alert the attention of suppliers. Furthermore, grade deducting will be conducted in the suppliers' annual evaluation by examining from the after-sale defection record.

6. For production-oriented suppliers, field inspection shall be carried out before the introduction. The requirements of the inspectors include not only the personnel of product technical direction, but also personnel of procurement. The key points of the inspection shall include: production environment management, production personnel management, production equipment management, production efficiency management, etc., and meeting minutes shall be formed according to the investigation process and results. After the supplier passes the inspection, it will be reflected when the supplier is officially introduced.

7. For product services, if there is no need for on-site solution, remote solutions such as network and telephone are preferred in order to void waste of human and material resources.

3. Source of suppliers

4. Product responsibility

Printing development promoted by innovation products

Founder Electronics is always committed to research and development of innovative products, with a view to providing customers with leading information processing technology, products, solutions and value-added services with high efficiency and quality through enhancement in service quality of business and advanced technologies. In 2020, the Company continued to deepen its strategic goal of realizing POD service (on-demand publishing) for PRC's publishing industry, aiming at promoting the current situation of lagging behind in the process of intelligence and automation in the industry by pouring the resources. A comprehensive solution which is suitable for POD on-demand printing system has been constructed, specifically including:

- EagleJet P5600 digital inkjet production line (桀鷹P5600數位噴墨生產線): an industrial grading piezoelectric nozzle on demand, the first-to-none paper circuit design, a brand new structure of inkjet module, an open interface standards.

- Founder Yunshu Cloud Platform for Books and Periodicals Production (方正雲舒書刊製作雲平台): build a digital management platform for book production process, and get through the publishing and printing chain.

- New Generation of On-Demand Intelligent Production System (新一代按需智慧生產體系): using digital printing, information and communication technology to realize the connection between people and things, to help enterprises construct flexible, efficient and intelligent work paradigm.

For the press, publishing and printing industries, the promotion of the progress of the industry with technique and technology has always been the company's diligent pursuit, tireless exploration and development goals. In the future, Founder Electronics will build a Chinese version of the intelligent and digital on-demand printing factory, through the Internet cloud service platform to form an integrated information system as a whole with publishers and distributors.

The Group is in strict compliance with the stringent requirements laid down by the national and local regulatory authorities on customer services and products. Founder Electronics, adhering to the principle of being customer-oriented, has developed a stringent system on controlling product quality in addition to the legal requirements, checking every process in respect of products and services to ensure steady and reliable quality of products, so as to provide the best customer service experience.

The main business of the Group is research and development of software, and there is no major production activity related to hardware, the products thus are not polluted to the environment and do not involve in the environmental protection issues. During the reporting period, there were no products sold or delivered that need to be reclaimed for safety and health reasons and no complaints about products and services sold.

Handling procedures for customer complaints

The Group's handling procedures for customer complaints has the following correspondent management process, which describe the acceptance of customer complaints, handling of complaints, supervision of the handling process, confirmation of complaint results and analysis of complaints, etc., so as to ensure the timely and efficient handling of complaints.

4. Product responsibility *(continued)*

Handling procedures for customer complaints *(continued)*

Complaints' acceptance and recording

The business support department has set up a complaint hotline, fax and mailbox, where a specially assigned person (customer service specialist) handles complaints from customers about the company's products, services, sales and other aspects. The customer service specialist shall fill in the "complaint acceptance record form" in a timely and detailed manner to record the information and handling process of complaints from the beginning of accepting complaints from customers.

Handling of complaints

Handling of complaints by responsible department

The business support department shall determine the department responsible for handling the complaint and submit the complaint to the relevant responsible person. The responsible department includes the relevant business departments, regions and business departments involved in the leftover problems and complaints. The person in charge of handling must complete the problem analysis, preliminarily decision plan and notify the customer and business support department within 2 working days to ensure that the complaints are handled as soon as possible. The person in charge of handling shall coordinate the relevant departments to implement the solutions and timely inform the business support department of the service center concerning the development. If necessary, the business support department can participate in coordinating and solving problems.

Tracking the process by Business support department

The business support department shall follow up and supervise the handling process, and the frequency of follow-up shall be determined according to the solution provided by the person in charge of handling, and coordinate with the customer if necessary.

The handling results for complaint

When the complaint is solved, the business support department will communicates with the customer to obtain the customer's approval. The complaint will be filed when the handling result is approved by the customer. The business support department shall coordinate with the person in charge of handling if the handling result is not accepted by customer. If no agreement is reached by the customer and the person in charge of handling, the director of the business support department shall give handling opinions according to the investigation, and the general manager of the service center shall give handling opinions in case of serious problems. If the customer does not accept the final solution or adopt other solutions such as appeal, or arbitration, the business support department can terminate the coordination and the follow-up of this complaint.

After-complaint

After handling each complaint, the business support department shall sort out the complaint record, summarize and analyze the complaint, and form a report to the relevant management. The Group's management process for handling customer complaints complies with the requirements of ISO 9001 quality control system. During the reporting year, the Group received 0 complaint.

Protection on intellectual property

The Group has developed an internal patent application process in which the patent review committee of the technology management department assists in reviewing the writing and the submission of application for technical patent documents, and employs an external patent agent to assist in patent application, so as to protect the intellectual property of the Group. In addition, the Group will conduct annual assessment on patents every year, abandon invalid patents, and carry out patent early warning locally and abroad from time to time to avoid infringement and being infringed. The Group also applies for and protects intellectual property in accordance with the Patent Law of the PRC, the Trademark Law of the PRC and the Copyright Law of the PRC.

4. Product responsibility *(continued)*

Verification process for product quality

The Group has developed "Test Regulations (測試規程)" internally, with a special team to verify the quality of software products. The verification process includes test planning, test implementation, test evaluation and program error handling post-product release, so as to ensure customers to receive high-quality products.

Protection on customer data

The relevant customer data is stored and maintained in the enterprise resource planning system (ERP). The Group sets the access authority of the corresponding operation module. Unauthorized personnel cannot access and use the customer data, and the aforesaid operation does not involve the export of customer so that the customers are protected.

5. Anti-corruption

The Group firmly opposes corruption, favoritism and irregularities. To eliminate corruption and deceit and uphold the principle of impartiality and integrity, Founder Electronics has formulated a series of standards and regulations to eliminate such acts in every business. Staff is prohibited from accepting advantages from suppliers, customers, colleagues and others when performing duties. The Group is also committed to promoting the style of honesty and justice, and have a management rules in relation to business ethics and integrity construction (商業道德及廉潔建設管理的制度) in which the specific requirements and management mechanism for integrity construction have been specified to prevent corruptions and illegal acts, and requiring staff to comply with the ethical standards and develop business adhering to the highest standard of integrity, so as to enhance the overall integrity of the Group. During the reporting period, there were no legal cases regarding corruption practices brought against the Group or its employees.

Measures and trainings on Anti-corruption

When employees of the Group are inducted, they are required to participate in new employee training, including the promotion of content of business ethics and incorruptibility construction. When cadres of the Company are promoted, the new managers need to participate in compliance training, focusing on the provisions and requirements on anti-corruption and bribery. The legal department will also carry out the corresponding training of business ethics and incorruptibility construction from time to time every year.

In 2023, the Company carried out the activity called "Horn Action" against corruption and to advocate integrity, the activities of self-inspection and self-correction called "No Corruption in three fields", integrity education visits, integrity cases in industry and regulatory advocacy, with a focus on strengthening integrity construction.

In 2023, the anti-corruption training of the Company was attended by a total a 75 participants, including 0 people from senior management and 75 people from general staff.

5. Anti-corruption *(continued)*

Compliance training

The Group mainly carried out the legal and compliance training in the new employee training session, and carried out the anti-commercial bribery courses in new manager training session. In addition, the Group also regularly carried out the class or issued guidance documents for employees to learn by themselves.

In 2023, the compliance training of Founder Electronics was mainly held in the induction training and all new employees were required to participate, with a total of 60 participants.

Reporting mechanism

The Group encourages employees to report the possible corruption of the company. Employees and departments of the Group both have the right and obligation to report the violations concerning such behaviours. If there is any reporting materials, the company will investigate the corruption and give handling comments on the results of the investigation.

IV. SOCIAL WELFARE

In order to earnestly honour our corporate citizenship, the Company is always committed to serving and contributing to the society by proactively participating in various public services. As a leading enterprise in the modern printing and media technology in China, Founder Electronics has made strenuous efforts in understanding the needs of society, sharing the results of technological innovation and research and development of the Company with the society. It also enhanced the cultural development of the society by organising activities involving social education, cultural diffusion and internet, so as to promote social civilisation.

In the cultural aspect, as a leader in Chinese information processing, Founder Electronics has always adhered to the spirit of independent innovation in more than 30 years of development, leveraging its advantages in text information processing technology and font design, continuously launching high-quality fonts to serve various fields of society, while also adhering to giving back to society and supporting public welfare undertakings with practical actions.

"Smiling Rainbow – 2023 Caring for Special Groups (「微笑彩虹－2023關愛特殊群體」)"

"Smiling Rainbow – 2023 Caring for Special Groups" is sponsored by the Propaganda Department of the Beijing Municipal Party Committee* (北京市委宣傳部) (Beijing Copyright Bureau)* (北京市版權局), China Press and Publication Media Group* (中國新聞出版傳媒集團), and the Text Standardization Committee of the China Publishing Association (中國出版協會文字規範化委員會主辦). It is organized by the China National Reading Media Alliance* (中國全民閱讀媒體聯盟) and the Capital Copyright Association* (首都版權協會), and coordinated by Alibaba Health Technology (China) Co., Ltd.* (阿里健康科技（中國）有限公司) and Beijing Founder Electronics Co., Ltd..

On 23 November, Founder Electronics and Alibaba Health team jointly developed Alibaba Health Body 2.0, which was announced at the 9th China International Copyright Expo* (第九屆中國國際版權博覽會) that it will be permanently open for free use to the whole society (including commercial enterprises). This free downloadable Chinese Pinyin (中文注音) +Braille (盲文) translation custom font achieves automatic conversion between Chinese, Western characters, and Braille, reducing the application threshold for Braille and allowing people who have not learned Braille to write Braille through Pinyin.

Nowadays, it has been applied in fields such as medicine boxes, health product packaging, and literary publishing. We hope to promote the construction of accessible environments and convey the humanistic care of modern design through technological public welfare.

* *For identification purpose only*

The press conference of "Beauty in Chinese Calligraphy-Exquisite Chinese Font Library Project Charity Program Phase III (「字美中華－中華精品字庫工程公益應用計劃三期」)"

The press conference of "Beauty in Chinese Calligraphy-Exquisite Chinese Font Library Project Charity Program Phase III" was held in Beijing on 28 December, it was jointly organized by Beijing Founder Electronics Co., Ltd., China Calligraphy Publishing Media Co., Ltd.* (中國書法出版傳媒有限責任公司), and China Font Design and Research Center (中國文字字體設計與研究中心). It was co-organized by Shenzhen Graphic Design Association (深圳市平面設計協會), China Designer Salon* (中國設計師沙龍), and the Chinese Character Font Information Professional Committee of the Chinese Information Society* (中國中文信息學會漢字字形信息專業委員會).

At the press conference, the newly upgraded "Beauty in Chinese Calligraphy" Charity Program was announced. The 47 high-quality Chinese fonts libraries, including Semi-cursive Script Font of Wang Xizhi-style (王羲之行書) and Regular Script Font of Ouyang Xun-style (歐陽詢楷書), which have been completed at the current stage of the Exquisite Chinese Font Library Project, will all be included in the Charity Program. Free 5-year usage authorization for a total of 47 fonts will be provided to public welfare organizations, news and publishing units, government agencies, schools, museums, individuals, as well as large-scale exhibitions, sports events, etc. Among them, the font library of Oracle Bone Script* (甲骨文字庫) will be permanently open to the whole society (including commercial enterprises) for free. "Beauty in Chinese Calligraphy Phase III" Charity Program will further expand the scope of free authorization to the museum field, hoping that major museums across the country can better promote traditional culture by using beautiful and high-quality fonts libraries.

* For identification purpose only

V. AN OVERVIEW OF SUSTAINABLE DEVELOPMENT

Pursuant to the Appendix C2 of Listing Rules, the Company has complied with the relevant laws and regulations of Environmental, Social and Governance Indicator as follows:

Environmental, Social and Governance Aspect	Compliance with National Laws and Regulations	Internal Policies
A Environmental	Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes Law of the PRC on the Environmental Protection	–
B1 Employment	Labour Law of the PRC Labour Contract Law of the PRC Social Insurance Law of the PRC Prohibition of Child Labour Provisions Regulation on Management of Housing Provident Fund	Management Rules for Attendance and Holiday
B2 Health and Safety	Labour Law of the PRC Work Safety Law of the PRC Regulation on Work-Related Injury Insurances	The safety management rules of Beijing Founder Electronics Co., Ltd. The comprehensive emergency plan for safety accidents of Beijing Founder Electronics Co., Ltd. The assessment rules for safety production of Beijing Founder Electronics Co., Ltd.
B4 Labour Standard	Labour Law of the PRC Labour Contract Law of the PRC Law on the Protection of Minors of the PRC Prohibition of Child Labour Provisions	Management Rules for Attendance and Holiday
B5 Supply Chain Management	–	Supplier Introduction Rules
B6 Product Responsibility	Patent Law of the PRC Copyright Law of the PRC Trademark Law of the PRC	Testing Regulation
B7 Anti-corruption	Criminal Law of the PRC Company Law of the PRC Anti-Money Laundering Law of the PRC Law of the PRC on Anti-Unfair Competition	Management rules for business ethics and integrity construction

CONCLUSION AND PROSPECT

Founder Electronics will continuously invest the resources on research and development and actively promote the integration among technology, education and culture. During the development process of Font Library in computer and the artificial intelligence products on calligraphy education, Founder Electronics has invested professional human resources including font designers and engineers of research and development, and has continued to cultivate and train relevant professionals. At the same time, in the process of promoting the inheritance and development of Chinese character culture, Founder Electronics is actively mobilizing communication resources, giving full play to the advantages of media communication, and helping to enhance the attention and influence of Chinese character culture in the public.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Qi Zi Xin, aged 48, is an executive director of the Company since June 2022 and the chairman of the board of the Company since July 2023. He is the president of Beijing EC-Founder Co., Ltd. (北京方正數碼有限公司), a wholly-owned subsidiary of Founder Information Industry Co., Ltd.* ("Founder Information") (方正信息產業有限責任公司), the substantial shareholder of the Company. He had been the chairman and director of (i) 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 Holdings Development Company Limited* ("New Founder") (新方正控股發展有限責任公司, the indirect substantial shareholder of the Company), from May 2019 to June 2023; and (ii) Founder Technology Group Corporation ("Founder Technology") (方正科技集團股份有限公司) (stock code: 600601), a company in which 10.98% of equity interest is held by New Founder and its subsidiaries, since August 2022. The shares of China Hi-Tech and Founder Technology are listed on the Shanghai Stock Exchange. He is also a director of a number of associated companies of New Founder and a number of subsidiaries of the Company. Mr. Qi received his bachelor degree in Law, bachelor degree in Economics and master degree in Law at Peking University. Mr. Qi has extensive experience in listed companies' management and investment and finance management, and has solid knowledge in the field of law and economics.

Mr. Shao Xing, aged 59, is the president and executive director of the Company since July 2016. He joined the Group in April 2016 and has extensive experience in the operation of software development and system integration business. He is the director of a number of subsidiaries of the Company. He received his bachelor's degree in industrial electrical automation and master degree in biomedical engineering and instrument at Zhejiang University in the PRC. He is also a senior engineer in the PRC. He is responsible for long-term strategic development of the Group.

Mr. Wang Jin Chao, aged 49, is an executive director of the Company since July 2023. He holds the position of head of the Planning and Operation Department of New Founder. He had served in multiple positions at Ping An Insurance (Group) Company of China Ltd. (中國平安保險(集團)股份有限公司) (stock code: 2318), a company listed on the main board (the "Main Board") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the substantial shareholder of the Company) and its subsidiaries and had also worked at an international firm of Certified Public Accountants. He is also the director of two subsidiaries of the Company. He is a director of China Hi-Tech since June 2023. Mr. Wang received his Master's degree in Business Administration from Tsinghua University. He holds the professional qualifications of Chinese Certified Public Accountant, Chartered Financial Analyst and Financial Risk Manager. He has solid professional skills and rich management experience in the aspects of corporate financial management, strategic management, and planning and operation.

Mr. Zhang Jian Guo, aged 54, is an executive director of the Company since June 2022. He is a vice president of Beijing Founder Electronics Co., Ltd. (北京北大方正電子有限公司) ("Founder Electronics"), a wholly-owned subsidiary of the Company, and a general manager of Peking Founder Handwriting Digital Technology Co., Ltd. (北京方正手跡數字技術有限公司), a subsidiary of Founder Information. Mr. Zhang received his bachelor degree in information mathematics from Peking University and his master degree in Business Administration at Guanghua School of Management of Peking University. Mr. Zhang is a director of the Chinese Information Society of China (中國中文信息學會理事), the head of the Professional Committee of Chinese Character Font Information (漢字字形信息專業委員會主任委員), a deputy head of the Chinese Character Font Design and Research Centre (中國文字字體設計與研究中心副主任), a member of the National Language and Character Standardization Technical Committee (全國語言文字標準化技術委員會委員), and a deputy head of the Coding Sub-Technical Committee of the National Information Technology Standardization Technical Committee (SAC/TC28/SC2) (全國信息技術標準化技術委員會編碼分技術委員會(SAC/TC28/SC2)副主任委員). Mr. Zhang has extensive business and management experience in the key business areas of Founder Electronics.

* *For identification purpose only*

Ms. Wu Jing, aged 42, is an executive director of the Company since October 2022. She is the employee of New Founder. Ms. Wu received her bachelor's degree in civil and commercial law from East China University of Political Science and Law in 2004, she received a master's degree in international commercial law from Vrije University Amsterdam in 2005 and a master's degree in international law and European Union Law from University of Amsterdam in 2007. Ms. Wu has extensive business experience and managerial experience in the field of law, especially international law.

Mr. Li Shuo Feng, aged 38, is an executive director of the Company since April 2024. He is a senior director of department of capital operations of New Founder. Mr. Li received a bachelor's degree of accountancy from Renmin University of China in 2009 and received a master's degree of business administration from The Chinese University of Hong Kong in 2023 respectively. He has been a Chinese Certified Public Accountant in an international firm of Certified Public Accountants. Mr. Li has extensive business experience and managerial experience in the aspect of finance and treasury management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chung Kik, Lewis, aged 51, is an independent non-executive director of the Company since March 2017. He serves as the independent non-executive director of Wing Chi Holdings Limited (stock code: 6080), a company listed on the Main Board of the Stock Exchange, since September 2017. He also served as an independent non-executive director of (i) Hong Kong Aerospace Technology Group Limited (formerly known as "Eternity Technology Holdings Limited") (stock code: 1725), a company listed on the Main Board of the Stock Exchange, from July 2018 to July 2021; (ii) Peking University Resources (Holdings) Company Limited ("PKU Resources") (stock code: 00618), a company listed on the Main Board of the Stock Exchange from March 2017 to September 2021; and (iii) HongGuang Lighting Holdings Company Limited, a company which was previously listed on the GEM (stock code: 8343) in December 2016 and was subsequently transferred to the Main Board of the Stock Exchange (stock code: 6908) in November 2019, from December 2016 to 5 June 2023. Mr. Chan obtained a bachelor degree of commerce in accounting from the University of Canberra in Australia in September 1997. He is currently a fellow of the Hong Kong Institute of Certified Public Accountants ("HKICPA") and a member of CPA Australia. He has extensive experience in auditing, accounting and corporate finance.

Mr. Lai Nga Ming, Edmund, aged 40, is an independent non-executive director of the Company since April 2020. He is (i) the company secretary of Luxxu Group Limited (stock code: 1327), a company listed on Main Board of the Stock Exchange; (ii) the company secretary and authorised representatives of C&N Holdings Limited (stock code: 8430), a company listed on the GEM, from July 2021 to July 2023; and (iii) the company secretary and authorised representative of Palinda Group Holdings Limited (stock code: 8179), a company listed on the GEM, since December 2023. He was an independent non-executive director of PKU Resources from April 2020 to September 2021. Mr. Lai received a Bachelor of Arts (Honours) in Accountancy from The Hong Kong Polytechnic University and is a member of HKICPA. He has accumulated extensive experience in auditing and accounting by working in various international firms of Certified Public Accountants, listed and multinational companies in Hong Kong such as Grant Thornton Hong Kong, BDO Hong Kong and SDM Group Holdings Limited (stock code: 8363), a company listed on the GEM.

Mr. Chak Chi Shing, aged 42, is an independent non-executive director of the Company since June 2023. He holds a Bachelor's degree in commerce in Accounting and Finance from Curtin University of Technology. He is a certified public accountant of HKICPA and Certified Public Accountant Australia. Mr. Chak has more than 15 years of experience in auditing, accounting, corporate finance and financial management and years of experience in company secretarial matter and corporate governance in listed companies. Mr. Chak has been appointed as the chief financial officer and company secretary of Tokyo Chuo Auction Holdings Limited (stock code: 1939), a company listed on the Main Board of the Stock Exchange since September 2019. He has been an independent non-executive director of (i) SDM Group Holdings Limited (stock code: 8363), a company listed on the GEM since May 2019; (ii) China Energy Storage Technology Development Limited (Formerly known as Link-Asia International MedTech Group Limited) (stock code: 1143), a company listed on the Main Board of Stock Exchange from June 2021 to September 2023; (iii) Sunyes Electronics Manufacturing (Guangdong) Co., Ltd* (stock code: 002388), a company listed on the Shenzhen Stock Exchange since February 2023; and (iv) Net Pacific Financial Holdings (stock code: 5QY), a company listed on the Singapore Exchange since November 2023.

* *For identification purpose only*

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements. There were no significant changes in the nature of the principal activities of the Company and its subsidiaries (collectively the "Group") during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2023 and the Group's financial position at that date are set out in the financial statements on pages 71 to 155.

The directors do not recommend the payment of any dividend in respect of the year.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing are set out in the section headed "Management Discussion and Analysis" on pages 4 to 13 of the annual report.

The financial risk management objectives and policies of the Group are set out in note 37 to the financial statements.

An analysis of the Group's performance during the year using financial key performance indicators is set out in the sections headed "Management Discussion and Analysis" on pages 4 to 13 and "Financial Highlights" on page 3 of the annual report.

Discussion on the Group's environment policies, relationships with its employees, customers, suppliers and other key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are set out in the section headed "Environmental, Social and Governance Report" on pages 25 to 55 of the annual report.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 158. This summary does not form part of the audited financial statements.

SHARE CAPITAL

There were no movements in the Company's share capital during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

MANAGEMENT CONTRACT

No contracts in respect of the management or administration of the whole or any substantial part of the business of the Group were entered into or subsisted during the year.

DISTRIBUTABLE RESERVES

At 31 December 2023, the Company's reserves available for distribution amounted to approximately HK$163,132,000. In addition, the Company's share premium account, in the amount of approximately HK$53,597,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 33% of the total purchase for the year and purchase from the largest supplier included therein amounted to 9%.

None of the directors of the Company or any of their associates or any shareholders of the Company (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interests in the Group's five largest suppliers and customers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. Qi Zi Xin
Mr. Shao Xing
Mr. Wang Jin Chao (appointed on 31 July 2023)
Mr. Hu Bin
Mr. Zhang Jian Guo
Ms. Wu Jing
Mr. Cheung Shuen Lung (resigned on 31 July 2023)

Independent non-executive directors:

Mr. Chan Chung Kik, Lewis
Mr. Lai Nga Ming, Edmund
Mr. Chak Chi Shing (appointed on 12 June 2023)
Mr. Lau Ka Wing (resigned on 16 March 2023)

The Company has received annual confirmations of independence from each of its independent non-executive directors, and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 56 to 58 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' EMOLUMENTS

The emoluments of the directors of the Company are determined by reference to the market rates, commitments, contribution and their duties, responsibilities within the Group.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the directors is currently in force and was in force throughout the financial year. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its directors and officers.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the year.

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

At 31 December 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 31 December 2023, none of the directors had registered an interest or short position in the shares or underlying shares 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.

DIRECTORS INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2023, none of the directors of the Company had any interest in a business (other than those businesses where the Directors of the Company were appointed as directors to represent the interests of the Company and/or any member of the Group) which is considered to compete or is likely to compete, either directly or indirectly, with the businesses of the Group.

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

At 31 December 2023, so far it is known to the directors of the Company, the following interests 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:

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

* *For identification purpose only*

Notes:

1. 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.

2. 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).

3. 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.

4. 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, so far it is known to the directors of the Company, as at 31 December 2023, no person 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.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Company and the Group had the following continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

(a) On 20 December 2022, the Company has been informed that the 30.60% equity interest of the Company that was indirectly held by 北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder") through its wholly-owned subsidiary was transferred and became indirectly held by New Founder. As such, Peking Founder has ceased to be a connected person of the Company and New Founder has become a controlling shareholder of the Company under the Listing Rules, and the transactions contemplated under the lease agreements with Peking Founder were no longer continuing connected transactions of the Company from 20 December 2022 onwards. Further details of the transaction were set out in the announcement of the Company dated 20 December 2022.

On 11 January 2023, 北京北大方正電子有限公司 (Beijing Founder Electronics Co., Ltd.) ("Founder Electronics") and 北京方正印捷數碼技術有限公司 (Beijing Founder EasiPrint Digital Technology Co., Ltd.*) ("Founder EasiPrint") renewed the management agreements with 北京北大資源物業經營管理集團有限公司 (Beijing Peking University Resource Property Management Group Co., Ltd.*) ("Beida Management"), an associate of New Founder as at the date of the agreements, to accept property management services in Beijing from 11 January 2023 to 31 December 2023, for the total amount of management fees of RMB4,563,000 (equivalent to approximately HK$5,069,000). Further details of the transaction were set out in the announcement of the Company dated 11 January 2023.

According to the restructuring proposal, the ownership of certain premises of Peking Founder in Beijing shall belong to New Founder. After arm's length negotiations with Peking Founder, the lease agreements with Peking Founder were terminated on 30 June 2023. On 26 June 2023, Founder Electronics and Founder EasiPrint entered into new lease agreements with New Founder to lease the premises in Beijing from 1 July 2023 to 31 December 2023, for the total amount of rental of RMB6,743,000 (equivalent to approximately HK$7,491,000). Further details of the transaction were set out in the announcement of the Company dated 26 June 2023.

During the year, the rental expenses of Founder Electronics and Founder EasiPrint payable to New Founder were approximately HK$7,491,000 (2022: payable to Peking Founder were approximately HK$14,428,000) and the management fees payable to Beida Management were approximately HK$5,069,000 (2022: HK$5,654,000) The directors consider that the rental and management fees were accrued in accordance with the terms of the lease agreements and management agreements.

* *For identification purpose only*

On 29 December 2023, Founder Electronics and Founder EasiPrint renewed the lease agreements and management agreements with New Founder and Beida Management to lease the premises in Beijing and accept property management services from 1 January 2024 to 31 December 2024, for the total amount of rental of RMB12,348,000 and management fees of RMB4,267,000 (equivalent to approximately HK$13,458,000 and HK$4,650,000), respectively. Further details of the transaction were set out in the announcement of the Company dated 29 December 2023.

(b) On 30 October 2019, the Company and Peking Founder entered into a master purchase agreement ("2019 Master Purchase Agreement") for three years from 1 January 2020 to 31 December 2022 with annual caps for each year. Further details of the transaction were set out in the announcement of the Company dated 30 October 2019. Due to the change of controlling shareholder as mentioned in note (a) above, the transactions contemplated under the 2019 Master Purchase Agreement were no longer continuing connected transactions of the Company from 20 December 2022 onwards. The 2019 Master Purchase Agreement was terminated by Peking Founder and the Company on the same date.

On 28 December 2022, the Company and New Founder entered into a new master purchase agreement for the three years ending 31 December 2024 with annual caps for each year. Further details of the transaction were set out in the announcement of the Company dated 28 December 2022.

During the year, products and services of approximately HK$811,000 were purchased from New Founder and its subsidiaries ("New Founder Group") (2022: HK$1,402,000 purchased from Peking Founder and its subsidiaries, collectively referred to as the "Peking Founder Group"). The directors consider that the purchases of products and services were made in accordance with the master purchase agreement.

(c) On 22 April 2022, the Company entered into a master sales agreement ("2022 Master Sales Agreement") with Peking Founder for the sales of information products, hardware and software development services and system integration services to Peking Founder Group for the period from 1 January 2022 to 31 December 2024 with annual cap for each year. Further details of the transaction were set out in the announcement of the Company dated 22 April 2022. Due to the change of controlling shareholder as mentioned in note (a) above, the transactions contemplated under the 2022 Master Sales Agreement were no longer continuing connected transactions of the Company from 20 December 2022 onwards. The 2022 Master Sales Agreement was terminated by Peking Founder and the Company on the same date.

On 28 December 2022, the Company and New Founder entered into a new master sales agreement for the sales of information products and the provision of hardware and software development services as well as systems integration services to New Founder Group for the three years ending 31 December 2024 with annual caps for each year. Further details of the transaction were set out in the announcement of the Company dated 28 December 2022.

During the year, sales of information products and software of approximately HK$323,000 were made to New Founder Group (2022: HK$5,343,000 made to Peking Founder Group). The directors consider that the sales of information products and the provision of hardware and software development services as well as system integration services were made in accordance with the master sales agreement.

(d) Ping An indirectly held 66.51% equity interest in New Founder and therefore is a substantial shareholder and a connect person of the Company since 20 December 2022 under the Listing Rules. Ping An and its subsidiaries (not within the New Founder Group) ("Ping An Group") from time to time purchase font library products and enter into individual font library licensing agreements on substantially the same terms (other than the font library products and licensing periods) with the Company.

On 28 December 2022, the Company proposed the annual caps for the transaction completed under the font library licensing agreements with Ping An Group for the three years ending 31 December 2024.

During the year, sales of font library products of approximately HK$1,825,000 (2022: HK$7,000) were made to Ping An Group.

The independent non-executive directors of the Company have reviewed the continuing connected transactions as set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 (Revised) *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unmodified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total number of issued shares were held by the public as at the date of this report.

AUDITORS

Ernst & Young will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting. The Company has not changed its auditor in the preceding three years.

ON BEHALF OF THE BOARD

Qi Zi Xin
Chairman

Hong Kong
26 March 2024

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the shareholders of Founder Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Founder Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 71 to 155, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of land and buildings and investment properties The Group measured its land and buildings and investment properties at fair value as at 31 December 2023 and the carrying amounts of these properties were HK$232,080,000 and HK$128,680,000, respectively, which in aggregate represented 25% of the Group's total assets. The fair value measurement of these properties is subjective and requires management to make significant estimates. To assist with their determination of the fair value, management engaged external property valuation appraisers to perform the valuations. The valuations are based on various assumptions, such as estimated rental revenue, adopted yield, market knowledge and historical transactions. Relevant disclosures are included in note 2.4 *Material accounting policies*, note 3 *Significant accounting judgements and estimates*, note 12 *Property, plant and equipment* and note 13 *Investment properties* to the consolidated financial statements.	Our audit procedures included the evaluation of the quality, objectivity, independence and expertise of the external property valuation appraisers, and the selected property-related information (such as, location, age, area and rental income) used in the valuation. In addition, we assessed the underlying assumptions through comparison with available external data. We also involved our internal valuation specialists to assist us in assessing the valuation model and the parameters used. We also focused on the adequacy of the disclosures of the valuation of the land and buildings and investment properties in the financial statements.
Impairment of trade receivables As at 31 December 2023, the carrying amount of trade receivables before provision for impairment was HK$206,346,000, which was included in the balance of trade and bills receivables. The Group recognised an impairment provision based on the expected credit loss ("ECL") approach under HKFRS 9 *Financial Instruments*. The measurement of ECLs requires the application of significant judgement and estimates, such as the expected future cash flows and forward-looking factors specific to the debtors and the economic environment. As at 31 December 2023, the impairment provision recorded for trade receivables was HK$37,529,000. Relevant disclosures are included in note 2.4 *Material accounting policies*, note 3 *Significant accounting judgements and estimates* and note 18 *Trade and bills receivables* to the consolidated financial statements.	Our audit procedures included obtaining an understanding of the design, implementation and operating effectiveness of key internal controls which govern the credit control, debt collection and estimate of ECLs. We assessed the reasonableness of ECLs determined by management by examining the information used to form such judgement and estimates, including the historical default information, and the historical loss rates as adjusted for current economic conditions and forward-looking information. We evaluated the reasonableness of the provision for impairment of trade receivables by reference to the Group's subsequent collection. We also reviewed the adequacy of the disclosures of impairment of trade receivables in the financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981 and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Man Kit.

Ernst & Young
Certified Public Accountants
Hong Kong

26 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2023

	Notes	**2023 HK$'000**	2022 HK$'000
REVENUE	*5*	**982,029**	957,578
Cost of sales		**(497,159)**	(467,665)
Gross profit		**484,870**	489,913
Other income and gains	*5*	**55,534**	53,683
Selling and distribution expenses		**(209,896)**	(224,793)
Administrative expenses		**(75,525)**	(94,864)
Other expenses, net		**(196,512)**	(69,075)
Finance costs	*7*	**(163)**	(318)
Share of losses of associates	*15*	**(261)**	(321)
PROFIT BEFORE TAX	*6*	**58,047**	154,225
Income tax credit/(expense)	*10*	**1,709**	(119,474)
PROFIT FOR THE YEAR		**59,756**	34,751
Attributable to:			
Owners of the parent		**59,756**	34,751
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*11*	**HK5.0 cents**	HK2.9 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2023

	Notes	2023 HK$'000	2022 HK$'000
PROFIT FOR THE YEAR		**59,756**	34,751
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income/(loss) of associates	*15*	**32**	(216)
Exchange differences on translation of foreign operations		**(11,070)**	(65,767)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		**(11,038)**	(65,983)
Other comprehensive income/(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	*16*	**37**	(1,209)
Revaluation surplus/(deficit) of land and buildings, net of tax		**1,265**	(10,894)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		**1,302**	(12,103)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(9,736)**	(78,086)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**50,020**	(43,335)
Attributable to:			
Owners of the parent		**50,020**	(43,335)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2023

	Notes	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**241,898**	256,312
Investment properties	13	**128,680**	138,914
Right-of-use assets	14(a)	**3,670**	4,610
Investments in associates	15	**2,237**	2,466
Equity investments at fair value through other comprehensive income	16	**420**	383
Pledged deposits	22	**1,742**	4,284
Total non-current assets		**378,647**	406,969
CURRENT ASSETS			
Inventories	17	**89,911**	88,434
Trade and bills receivables	18	**181,898**	180,391
Contract assets	19	**15,703**	17,196
Prepayments, other receivables and other assets	20	**47,178**	55,627
Financial assets at fair value through profit or loss	21	**946**	1,081
Pledged deposits	22	**3,113**	721
Cash and cash equivalents	22	**749,021**	733,315
Total current assets		**1,087,770**	1,076,765
CURRENT LIABILITIES			
Trade and bills payables	23	**63,402**	55,597
Contract liabilities	24	**47,965**	71,887
Other payables and accruals	25	**206,725**	256,179
Lease liabilities	14(b)	**2,152**	3,246
Tax payable		**302**	330
Total current liabilities		**320,546**	387,239
NET CURRENT ASSETS		**767,224**	689,526
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,145,871**	1,096,495
NON-CURRENT LIABILITIES			
Lease liabilities	14(b)	**1,273**	1,102
Deferred tax liabilities	27	**44,510**	45,325
Total non-current liabilities		**45,783**	46,427
Net assets		**1,100,088**	1,050,068

	Notes	2023 HK$'000	2022 HK$'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*28*	**119,975**	119,975
Reserves	*30*	**980,113**	930,093
Total equity		**1,100,088**	1,050,068

Qi Zi Xin
Director

Shao Xing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2023

	Attributable to owners of the parent								
	Issued capital HK$'000	Share premium account *(note 30)* HK$'000	Contributed surplus *(note 30)* HK$'000	Land and buildings revaluation reserve HK$'000	Equity investments at fair value through other comprehensive income revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	General reserve *(note 30)* HK$'000	Accumulated losses HK$'000	Total equity HK$'000
At 1 January 2022	119,975	53,597	867,910	226,989	(12,328)	32,793	79,868	(275,401)	1,093,403
Profit for the year	–	–	–	–	–	–	–	34,751	34,751
Other comprehensive loss for the year:									
Revaluation deficit of land and buildings, net of tax	–	–	–	(10,894)	–	–	–	–	(10,894)
Changes in fair value of equity investments	–	–	–	–	(1,209)	–	–	–	(1,209)
Share of other comprehensive loss of associates	–	–	–	–	–	(216)	–	–	(216)
Exchange differences on translation of foreign operations	–	–	–	–	–	(65,767)	–	–	(65,767)
Total comprehensive (loss)/income for the year	–	–	–	(10,894)	(1,209)	(65,983)	–	34,751	(43,335)
Transfer of revaluation reserve of land and buildings to accumulated losses	–	–	–	(12,741)	–	–	–	12,741	–
Transfer to general reserve	–	–	–	–	–	–	5,192	(5,192)	–
At 31 December 2022	119,975	53,597*	867,910*	203,354*	(13,537)*	(33,190)*	85,060*	(233,101)*	1,050,068

	Attributable to owners of the parent								
	Issued capital HK$'000	Share premium account (note 30) HK$'000	Contributed surplus (note 30) HK$'000	Land and buildings revaluation reserve HK$'000	Equity investments at fair value through other comprehensive income revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	General reserve (note 30) HK$'000	Accumulated losses HK$'000	Total equity HK$'000
At 1 January 2023	119,975	53,597*	867,910*	203,354*	(13,537)*	(33,190)*	85,060*	(233,101)*	1,050,068
Profit for the year	-	-	-	-	-	-	-	59,756	59,756
Other comprehensive income for the year:									
Revaluation surplus of land and buildings, net of tax	-	-	-	1,265	-	-	-	-	1,265
Changes in fair value of equity investments	-	-	-	-	37	-	-	-	37
Share of other comprehensive income of associates	-	-	-	-	-	32	-	-	32
Exchange differences on translation of foreign operations	-	-	-	-	-	(11,070)	-	-	(11,070)
Total comprehensive income/(loss) for the year	-	-	-	1,265	37	(11,038)	-	59,756	50,020
Transfer of revaluation reserve of land and buildings to accumulated losses	-	-	-	(5,923)	-	-	-	5,923	-
Transfer to general reserve	-	-	-	-	-	-	8,623	(8,623)	-
At 31 December 2023	119,975	53,597*	867,910*	198,696*	(13,500)*	(44,228)*	93,683*	(176,045)*	1,100,088

* These reserve accounts comprise the consolidated reserves of HK$980,113,000 (2022: HK$930,093,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2023

	Notes	2023 HK$'000	2022 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**58,047**	154,225
Adjustments for:			
Finance costs	*7*	**163**	318
Share of losses of associates	*15*	**261**	321
Interest income	*5*	**(13,624)**	(8,632)
Fair value losses on investment properties	*6*	**10,126**	11,541
Gain on disposal of items of property, plant and equipment	*5*	**(77)**	(97)
Impairment of trade receivables and contract assets	*6*	**7,781**	6,525
Depreciation of property, plant and equipment	*6*	**16,550**	19,151
Depreciation of right-of-use assets	*6*	**3,420**	3,726
Impairment/(reversal of impairment) of deposits and other receivables	*6*	**12**	(141,859)
Write-off of inventories	*6*	**1,316**	1,533
(Reverse of provision)/provision for obsolete inventories	*6*	**(5,430)**	5,767
		78,545	52,519
Decrease in inventories		**2,997**	15,344
Decrease/(increase) in contract assets		**1,038**	(2,201)
Increase in trade and bills receivables		**(8,833)**	(21,831)
Decrease in prepayments, other receivables and other assets		**8,302**	15,472
(Decrease)/increase in contract liabilities		**(23,922)**	904
Increase/(decrease) in trade and bills payables		**7,805**	(8,572)
Decrease in other payables and accruals		**(49,454)**	(17,331)
Exchange differences		**1,476**	4,480
Cash generated from operations		**17,954**	38,784
Interest received		**13,624**	8,632
Interest element of lease liabilities		**(163)**	(318)
Hong Kong profits tax paid		**(36)**	(109)
Net cash flows from operating activities		**31,379**	46,989

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2023

	Notes	2023 HK$'000	2022 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	12	**(2,431)**	(5,183)
Proceeds from disposal of items of property, plant and equipment		**79**	293
Repayment of other loans from related companies		**–**	798
Repayment of entrusted loans from related companies		**–**	140,915
Decrease in pledged deposits		**150**	2,085
Net cash flows (used in)/from investing activities		**(2,202)**	138,908
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal portion of lease payments		**(3,268)**	(3,417)
Net cash flows used in financing activities		**(3,268)**	(3,417)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**25,909**	182,480
Cash and cash equivalents at beginning of year		**733,315**	599,166
Effect of foreign exchange rate changes, net		**(10,203)**	(48,331)
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	**749,021**	733,315
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**653,775**	625,762
Non-pledged time deposits	22	**95,246**	107,553
Cash and cash equivalents as stated in the consolidated statement of cash flows	22	**749,021**	733,315

1. CORPORATE AND GROUP INFORMATION

Founder Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton, HM 10, Bermuda. The head office and principal place of business of the Company is located at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in software development, system integration and the distribution of information products.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Founder (Hong Kong) Limited ("Founder HK")	Hong Kong	Ordinary HK$977,974,378	100	–	Information product distribution and investment holding
北京北大方正電子有限公司 Beijing Founder Electronics Co., Ltd. ("Founder Electronics")#	Mainland of the People's Republic of China ("Chinese Mainland" or the "PRC")	Registered HK$230 million	–	100	Software development, system integration and information product distribution
北京方正印捷數碼技術有限公司 (Beijing Founder EasiPrint Digital Technology Co., Ltd.@) ("Founder EasiPrint")^	PRC/ Chinese Mainland	Registered RMB50 million	–	100	Software development and information product distribution
北京方正數字印刷技術有限公司 (Beijing Founder Digital Printing Technology Co., Ltd.@) (Founder Digital Printing)^	PRC/ Chinese Mainland	Registered RMB5 million	–	100	Information product distribution
Founder Electronics (HK) Limited	Hong Kong	Ordinary HK$2	–	100	Information product distribution
Royal Bright Limited	Hong Kong	Ordinary HK$2	–	100	Property holding
Royal Leader Limited	Hong Kong	Ordinary HK$2	–	100	Property holding
Royal Power Limited	Hong Kong	Ordinary HK$2	–	100	Property holding
Sharp Century Limited	Hong Kong	Ordinary HK$2	–	100	Property holding
PUC Founder (M) Sdn. Bhd.	Malaysia	Ordinary RM500,000	–	100	Investment holding

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

@ For identification purpose only

\# Registered as a wholly-foreign-owned enterprise under PRC law

^ Registered as limited liability companies under PRC law

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, land and buildings classified as property, plant and equipment, equity investments at fair value through other comprehensive income, bills receivable, and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2. ACCOUNTING POLICIES *(continued)*

2.1 Basis of Preparation *(continued)*

Basis of consolidation *(continued)*

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in Accounting Policies and Disclosures

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

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

The nature and the 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 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

2. ACCOUNTING POLICIES *(continued)*

2.2 Changes in Accounting Policies and Disclosures *(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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(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. 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.

2. ACCOUNTING POLICIES *(continued)*

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[1, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[1, 4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024

2 Effective for annual periods beginning on or after 1 January 2025

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2. ACCOUNTING POLICIES *(continued)*

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards *(continued)*

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 Material Accounting Policies

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Investments in associates and joint ventures *(continued)*

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated statement of comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Fair value measurement

The Group measures its land and buildings, investment properties, financial assets at fair value through profit or loss, bills receivable and equity investments at fair value through other comprehensive income at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Fair value measurement *(continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets and investment properties) the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in a revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation surplus to accumulated losses is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on its original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to accumulated losses as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	Over the lease term
Leasehold improvements	20%
Furniture, fixtures and office equipment	20% to 33⅓%
Machinery and equipment	12.5%
Motor vehicles	10% to 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Leases *(continued)*

Group as a lessee (continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of properties (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Leases *(continued)*

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than three years past due.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Impairment of financial assets *(continued)*

General approach (continued)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals and lease liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables)

After initial recognition, trade and other payables and lease liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the sale of certain products for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Income tax *(continued)*

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Sale of information products and software

Revenue from the sale of information products and software is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the information products and software.

(b) Sale of software development and system integration services

Revenue from the provision of software development and system integration services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the services.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Revenue recognition *(continued)*

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Share-based payments

The Company operates a share option scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Employee benefits

Pension schemes

The Group operates defined contribution retirement benefit schemes for those employees who are eligible to participate. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the respective schemes. The assets of the schemes are held separately from those of the Group in an independently administered fund.

When an employee leaves the Mandatory Provident Fund Exempted Occupational Retirement Schemes Ordinance retirement benefits scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group will be reduced by the relevant amount of forfeited employer contributions. In respect of the Mandatory Provident Fund retirement benefit scheme, the Group's employer mandatory contributions vest fully with the employees when contributed into the scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the scheme.

The employees of the Group's subsidiaries which operate in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. Contributions are made based on a certain percentage of the participating employees' salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries and associates not operating in Hong Kong are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on the invoice date for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast industry conditions are expected to deteriorate over the next year which can lead to an increased number of defaults the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets are disclosed in notes 18 and 19 to the financial statements, respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Provision for expected credit losses on loan receivables

Impairment of loan receivables is assessed on a 12-month ECL basis when there has been no significant increase in credit risk since initial recognition. However, when there has been a significant increase in credit risk since origination, the allowances will be based on the lifetime ECL. Assessment is done based on the Group's historical credit loss experience, general conditions, external credit ratings and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. The provision for ECLs is sensitive to changes in estimates. The information about the ECLs on the Group's loan receivables is disclosed in note 20 to the financial statements.

Provision for obsolete inventories

Management reviews the ageing analysis of inventories of the Group at the end of each reporting period, and makes provision for obsolete and slow-moving inventory items identified that are no longer suitable for sale. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. If the market condition was to deteriorate so that the actual provision might be higher than expected, the Group would be required to revise the basis of making the provision and its future results would be affected.

Fair value of investment properties and land and buildings

Investment properties and land and buildings are carried in the statement of financial position at their fair values. The fair value was based on a valuation on the properties conducted by an independent firm of professionally qualified valuers using property valuation techniques which involve making assumptions on certain market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair values of the Group's investment properties and land and buildings and the corresponding adjustments to the gain or loss recognised in the statement of profit or loss and the land and buildings revaluation reserve, respectively. Further details, including the key assumptions used for fair value measurement, are given in notes 12 and 13 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profits will be available against which the losses and the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total amount of unrecognised deductible temporary differences and unrecognised tax losses at 31 December 2023 was approximately HK$964,588,000 (2022: HK$922,615,000). Further details are included in note 27 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	2023 HK$'000	2022 HK$'000
Chinese Mainland	**977,042**	953,323
Hong Kong	**4,626**	4,128
Other	**361**	127
Total revenue	**982,029**	957,578

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

(b) Non-current assets

	2023 HK$'000	2022 HK$'000
Chinese Mainland	**199,287**	208,292
Hong Kong	**174,961**	191,544
Other	**2,237**	2,466
Total non-current assets	**376,485**	402,302

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

Information about major customers

During the year, there was no revenue derived from transactions with a single external customer which individually accounted for 10% or more of the Group's revenue (2022: Nil).

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023 **HK$'000**	2022 HK$'000
Revenue from contracts with customers	**977,244**	953,008
Revenue from other sources		
Rental income from investment property operating leases	**4,785**	4,570
Total	**982,029**	957,578

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2023

	Total **HK$'000**
Types of goods or services	
Sale of information products and software	**977,244**
Geographical markets	
Chinese Mainland	**976,883**
Others	**361**
Total	**977,244**
Timing of revenue recognition	
Goods transferred at a point in time	**977,244**

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(i) Disaggregated revenue information (continued)

For the year ended 31 December 2022

	Total HK$'000
Types of goods or services	
Sale of information products and software	943,631
Sale of software development and system integration service	9,377
Total	953,008
Geographical markets	
Chinese Mainland	952,881
Others	127
Total	953,008
Timing of revenue recognition	
Goods transferred at a point in time	943,631
Services transferred over time	9,377
Total	953,008

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2023 **HK$'000**	2022 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of information products and software	**41,361**	47,576
Sale of software development and system integration service	**–**	70
Total	**41,361**	47,646

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of information products and software

The performance obligation is satisfied upon delivery of information products and software and payment is generally due within 90 days from the invoice date, except for new customers, where payment in advance is normally required. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the goods' quality by the customers over a certain period as stipulated in the contracts.

Sale of software development and system integration

The performance obligation is satisfied over time as services are rendered and payment is generally due within 15 days from the invoice date. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2023 **HK$'000**	2022 HK$'000
Amounts expected to be recognised as revenue:		
Within one year	**45,373**	49,560

The amounts disclosed above do not include variable consideration which is constrained.

	2023 **HK$'000**	2022 HK$'000
Other income		
Bank interest income	**13,624**	8,632
Government grants *(note)*	**34,683**	38,757
Others	**7,150**	6,197
Total other income	**55,457**	53,586
Gains		
Gain on disposal of items of property, plant and equipment	**77**	97
Total other income and gains	**55,534**	53,683

Note: Various government grants have been received for the sale of software approved by the PRC tax authority and the development of software in Chinese Mainland. The government grants have been recognised upon sales of approved software and completion of the development of related software. There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

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

	Notes	**2023 HK$'000**	2022 HK$'000
Auditor's remuneration		**2,870**	2,702
Cost of inventories sold and services provided**		**502,589**	461,898
Depreciation of property, plant and equipment	*12*	**16,550**	19,151
Depreciation of right-of-use assets	*14(a)*	**3,420**	3,726
Lease payments not included in the measurement of lease liabilities	*14(c)*	**21,492**	22,293
Impairment of trade receivables and contract assets*	*18/19*	**7,781**	6,525
Impairment/(reversal of impairment) of deposits and other receivables*	*20*	**12**	(141,859)
Loss on write-off of inventories*		**1,316**	1,533
(Reversal of provision)/provision for obsolete inventories**		**(5,430)**	5,767
Research and development costs:			
Current year expenditure*		**174,001**	187,157
Employee benefit expense (including directors' and chief executive's remuneration *(note 8)*):			
Wages and salaries		**217,550**	243,010
Pension scheme contributions***		**39,506**	40,782
Total		**257,056**	283,792
Foreign exchange differences, net		**1,827**	10,907
Direct operating expenses (including repair and maintenance) arising on rental-earning investment properties		**525**	502
Fair value loss on financial assets at fair value through profit or loss, net*		**126**	–
Fair value losses on investment properties*	*13*	**10,126**	11,541

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

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

*** At 31 December 2023, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2022: Nil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 HK$'000	2022 HK$'000
Interest on lease liabilities	**163**	318

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023 HK$'000	2022 HK$'000
Fees	**497**	540
Other emoluments:		
Salaries, allowances and benefits in kind	**3,218**	3,117
Performance related bonuses*	**1,414**	1,374
Pension scheme contributions	**183**	175
Subtotal	**4,815**	4,666
Total	**5,312**	5,206

* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to the performance of the Group's operations.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2023 HK$'000	2022 HK$'000
Mr. Chan Chung Kik, Lewis	**180**	180
Mr. Lau Ka Wing[1]	**38**	180
Mr. Lai Nga Ming	**180**	180
Mr. Chak Chi Shing[2]	**99**	–
Total	**497**	540

1 Resigned on 16 March 2023
2 Appointed on 12 June 2023

There were no other emoluments payable to the independent non-executive directors during the year (2022: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(b) Executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2023					
Mr. Cheung Shuen Lung[1]	**–**	**1,132**	**–**	**43**	**1,175**
Mr. Shao Xing[#]	**–**	**1,182**	**946**	**70**	**2,198**
Mr. Zhang Jian Guo	**–**	**904**	**468**	**70**	**1,442**
Mr. Wang Jin Chao[2]	**–**	**–**	**–**	**–**	**–**
Mr. Hu Bin	**–**	**–**	**–**	**–**	**–**
Mr. Qi Zi Xin	**–**	**–**	**–**	**–**	**–**
Ms. Wu Jing	**–**	**–**	**–**	**–**	**–**
Total	**–**	**3,218**	**1,414**	**183**	**4,815**
2022					
Mr. Cheung Shuen Lung	–	1,450	–	73	1,523
Mr. Shao Xing[#]	–	1,219	1,374	67	2,660
Mr. Zhang Jian Guo[3]	–	448	–	35	483
Mr. Hu Bin	–	–	–	–	–
Mr. Qi Zi Xin[3]	–	–	–	–	–
Ms. Wu Jing[4]	–	–	–	–	–
Ms. Liao Hang[5]	–	–	–	–	–
Professor Xiao Jian Guo[6]	–	–	–	–	–
Total	–	3,117	1,374	175	4,666

[#] Mr. Shao Xing is also the chief executive officer of the Group
[1] Resigned on 31 July 2023
[2] Appointed on 31 July 2023
[3] Appointed on 10 June 2022
[4] Appointed on 25 October 2022
[5] Resigned on 25 October 2022
[6] Retired on 25 May 2022

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2022: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2022: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023 **HK$'000**	2022 HK$'000
Salaries, allowances and benefits in kind	**2,775**	2,406
Performance related bonuses	**1,261**	361
Pension scheme contributions	**210**	113
Total	**4,246**	2,880

The number of non-director and non-chief executive, highest paid employees whose remuneration fell within the following bands is as follows:

	2023 **HK$'000**	2022 HK$'000
HK$1,000,001 to HK$1,500,000	**3**	2

10. INCOME TAX

	2023 **HK$'000**	2022 HK$'000
Current – Hong Kong		
Charge for the year	**–**	141
Current – Chinese Mainland		
Charge for the year	**9**	1
Underprovision/(overprovision) in prior years	**6**	(4,037)
Deferred *(note 27)*	**(1,724)**	123,369
Total tax (credit)/charge for the year	**(1,709)**	119,474

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 year, except for the first HK$2,000,000 of assessable profits for Founder Electronics (HK) Limited which is taxed at the rate of 8.25% as Founder Electronics (HK) Limited elects the two-tiered profits tax rates in 2023 and 2022.

10. INCOME TAX *(continued)*

Taxes on profits assessable in Chinese Mainland have been calculated at the statutory PRC corporate income tax ("CIT") rate of 25%. Certain subsidiaries of the Group are entitled to preferential tax treatments of reduction in the CIT rate to 15% or 5%.

The share of tax attributable to associates amounting to HK$34,000 (2022: HK$64,000) is included in "Share of losses of associates" in the consolidated statement of profit or loss.

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates are as follows:

	2023		2022	
	HK$'000	**%**	HK$'000	%
Profit before tax	**58,047**		154,225	
Tax at the statutory tax rate	**16,456**	**28.3**	41,391	26.8
Lower tax rate for specific provinces or enacted by local authority	**(8,215)**	**(14.2)**	(18,862)	(12.2)
Adjustments in respect of current tax of previous periods	**6**	**–**	(4,037)	(2.6)
Effect on changes in tax rates	**(686)**	**(1.2)**	43,523	28.2
Loss attributable to associates	**52**	**0.1**	64	–
Income not subject to tax	**(429)**	**(0.7)**	(354)	(0.2)
Expenses not deductible for tax	**3,552**	**6.1**	7,176	4.7
Research and development super deduction	**(23,768)**	**(40.9)**	(20,445)	(13.3)
Tax losses utilised from previous periods	**(21)**	**–**	(8)	–
Temporary difference not recognised	**2,107**	**3.6**	15,781	10.2
Tax losses not recognised	**9,237**	**15.9**	55,245	35.8
Tax (credit)/charge at the Group's effective rate	**(1,709)**	**(2.9)**	119,474	77.5

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,199,746,993 (2022: 1,199,746,993) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

12. PROPERTY, PLANT AND EQUIPMENT

31 December 2023

	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Machinery and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2023						
Cost or valuation	240,911	20,961	44,483	7,213	5,702	319,270
Accumulated depreciation	–	(15,390)	(38,567)	(3,918)	(5,083)	(62,958)
Net carrying amount	240,911	5,571	5,916	3,295	619	256,312
At 1 January 2023, net of accumulated depreciation	240,911	5,571	5,916	3,295	619	256,312
Additions	–	209	2,212	10	–	2,431
Transfers from inventory	–	–	–	3,890	–	3,890
Disposals	–	–	(2)	–	–	(2)
Transfers to inventory	–	–	–	(4,250)	–	(4,250)
Surplus on revaluation	2,799	–	–	–	–	2,799
Depreciation provided during the year *(note 6)*	(9,065)	(2,875)	(3,615)	(732)	(263)	(16,550)
Exchange realignment	(2,565)	(47)	(73)	(40)	(7)	(2,732)
At 31 December 2023, net of accumulated depreciation	232,080	2,858	4,438	2,173	349	241,898
At 31 December 2023						
Cost or valuation	232,080	20,790	44,699	5,090	5,366	308,025
Accumulated depreciation	–	(17,932)	(40,261)	(2,917)	(5,017)	(66,127)
Net carrying amount	232,080	2,858	4,438	2,173	349	241,898

12. PROPERTY, PLANT AND EQUIPMENT *(continued)*

31 December 2022

	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Machinery and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2022						
Cost or valuation	287,818	19,659	50,047	10,037	7,397	374,958
Accumulated depreciation	–	(12,230)	(42,549)	(4,332)	(6,378)	(65,489)
Net carrying amount	287,818	7,429	7,498	5,705	1,019	309,469
At 1 January 2022, net of accumulated depreciation	287,818	7,429	7,498	5,705	1,019	309,469
Additions	–	2,136	3,037	10	–	5,183
Disposals	–	–	(80)	(116)	–	(196)
Transfers to inventory	–	–	–	(928)	–	(928)
Deficit on revaluation	(14,183)	–	–	–	–	(14,183)
Depreciation provided during the year *(note 6)*	(10,232)	(3,668)	(3,954)	(971)	(326)	(19,151)
Transfers to investment properties *(note 13)*	(4,188)	–	–	–	–	(4,188)
Exchange realignment	(18,304)	(326)	(585)	(405)	(74)	(19,694)
At 31 December 2022, net of accumulated depreciation	240,911	5,571	5,916	3,295	619	256,312
At 31 December 2022						
Cost or valuation	240,911	20,961	44,483	7,213	5,702	319,270
Accumulated depreciation	–	(15,390)	(38,567)	(3,918)	(5,083)	(62,958)
Net carrying amount	240,911	5,571	5,916	3,295	619	256,312

12. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The Group's land and buildings consist of one residential property and one commercial property in the PRC and certain commercial properties and car parking spaces in Hong Kong. The directors of the Company have determined that the land and buildings consist of three classes of asset, i.e., commercial properties, residential property and car parking spaces, based on the nature, characteristics and risks of each property. The Group's land and buildings were revalued on 31 December 2023 and 2022 based on valuations performed by LCH (Asia-Pacific) Surveyors Limited, independent professionally qualified valuers, at HK$232,080,000 and HK$240,911,000, respectively. Each year, the Group's management decides to appoint which external valuer to be responsible for the external valuations of the Group's land and buildings. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for annual financial reporting.

Had these land and buildings been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately HK$14,550,000 (2022: HK$15,284,000).

At 31 December 2023 and 2022, none of the Group's land and buildings was pledged to secure general banking facilities granted to the Group.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's land and buildings:

	Fair value measurement as at 31 December 2023 using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Recurring fair value measurement for:				
Commercial properties	–	–	**48,621**	**48,621**
Residential properties	–	–	**179,429**	**179,429**
Car parking spaces	–	–	**4,030**	**4,030**
Total	–	–	**232,080**	**232,080**

12. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Fair value hierarchy *(continued)*

	Fair value measurement as at 31 December 2022 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Commercial properties	–	–	54,190	54,190
Residential properties	–	–	182,591	182,591
Car parking spaces	–	–	4,130	4,130
Total	–	–	240,911	240,911

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2022: Nil).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties HK$'000	**Residential properties** HK$'000	**Car parking spaces** HK$'000
Carrying amount at 31 December 2021	61,540	219,895	6,383
Net (loss)/gain from a fair value adjustment recognised in other comprehensive income	(2,828)	(11,485)	130
Transfers to investment properties	(2,060)	–	(2,128)
Depreciation provided during the year	(2,462)	(7,515)	(255)
Exchange realignment	–	(18,304)	–
Carrying amount at 31 December 2022 and 1 January 2023	**54,190**	**182,591**	**4,130**
Net (loss)/gain from a fair value adjustment recognised in other comprehensive income	**(3,401)**	**6,135**	**65**
Depreciation provided during the year	**(2,168)**	**(6,732)**	**(165)**
Exchange realignment	**–**	**(2,565)**	**–**
Carrying amount at 31 December 2023	**48,621**	**179,429**	**4,030**

12. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Fair value hierarchy *(continued)*

Below is a summary of the valuation techniques used and the key inputs to the valuation of land and buildings:

	Valuation techniques	Significant unobservable inputs	Range 2023	2022
Commercial properties	Market approach	Adjustment on market unit price (per sq.m.)	**-25.3% to 0.8%**	-35.8% to -3.8%
Residential properties	Market approach	Adjustment on market unit price (per sq.m.)	**-29.9% to -11.0%**	-25.6% to -11.5%
	Income approach	Adjustment on market rental (per sq.m. and per month)	**-12.0% to -8.0%**	-12.0% to -8.0%
		Adopted yield	**1.7%**	1.9%
Car parking spaces	Market approach	Adjustment on market unit price (per sq.m.)	**-11.7% to 5%**	-6.9% to 3.0%

Under the market approach, fair value is estimated based on the unit prices of comparable properties with certain adjustments made to reflect the differences in location, neighbourhood, environment, facilities, etc. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values. Physical, locational and economical characteristics are important criteria to be analysed when comparing such comparable properties against the subject properties.

The adjustment on the market unit price is determined by referring to the differences of the subject properties against the comparable properties in terms of time, building facilities, floor, view, size, loading and the listing nature of the comparable properties.

A significant increase/(decrease) in the unit price of comparable properties in isolation would result in a significant increase/(decrease) in the fair value of the land and buildings. A significant increase/(decrease) in a positive adjustment or a significant decrease/(increase) in a negative adjustment on the unit price would result in a significant increase/(decrease) in the fair value of the land and buildings.

Under the income approach, fair value is estimated by capitalising the adjusted market rental income at an adjusted market capitalisation rate. Market rental and the market capitalisation rate are determined by making reference to market listing prices and rentals of comparable properties.

The adjustment on market rental is determined by referring to the differences of the subject property against the comparable properties in terms of building facilities, size, floor and the listing nature of the comparable properties. The adjustment on the market capitalisation rate is determined by referring to the class of comparable properties.

12. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Fair value hierarchy *(continued)*

A significant increase/(decrease) in market rental in isolation would result in a significant increase/(decrease) in the fair value of the land and buildings. A significant increase/(decrease) in a positive adjustment or a significant decrease/(increase) in a negative adjustment on market rental would result in a significant increase/(decrease) in the fair value of the land and buildings. A significant increase/(decrease) in the capitalisation rate in isolation would result in a significant decrease/(increase) in the fair value of the land and buildings. A significant increase/(decrease) in the adjustment to the capitalisation rate in isolation would result in a significant decrease/(increase) in the fair value of the land and buildings.

13. INVESTMENT PROPERTIES

	2023 **HK$'000**	2022 HK$'000
Carrying amount at 1 January	**138,914**	146,969
Net losses from a fair value adjustment	**(10,126)**	(11,541)
Transfers from owner-occupied property *(note 12)*	**–**	4,188
Exchange realignment	**(108)**	(702)
Carrying amount at 31 December	**128,680**	138,914

The Group's investment properties consist of certain commercial properties, residential properties and car parking spaces in Hong Kong and one commercial property and one residential property in the PRC. The directors of the Company have determined that the investment properties consist of three classes of asset, i.e., commercial, residential and car parking spaces, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2023 and 2022 based on valuations performed by LCH (Asia-Pacific) Surveyors Limited, independent professionally qualified valuers, at HK$128,680,000 and HK$138,914,000, respectively. Each year, the Group's management decides to appoint which external valuer to be responsible for the external valuations of the Group's investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for annual financial reporting.

The investment properties are leased to third parties under operating leases, further details of which are included in note 14 to the financial statements.

At 31 December 2023, certain of the Group's investment properties with a carrying value of approximately HK$65,739,000 (2022: HK$71,547,000) were pledged to secure general banking facilities granted to the Group (note 26).

Further particulars of the Group's investment properties are included on pages 156 to 157 of the annual report.

13. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2023 using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Recurring fair value measurement for:				
Commercial properties	**–**	**–**	**103,804**	**103,804**
Residential properties	**–**	**–**	**20,026**	**20,026**
Car parking spaces	**–**	**–**	**4,850**	**4,850**
Total	**–**	**–**	**128,680**	**128,680**

	Fair value measurement as at 31 December 2022 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Commercial properties	–	–	112,492	112,492
Residential properties	–	–	21,382	21,382
Car parking spaces	–	–	5,040	5,040
Total	–	–	138,914	138,914

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2022: Nil).

13. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties HK$'000	**Residential properties** HK$'000	**Industrial property** HK$'000
Carrying amount at 1 January 2022	119,589	24,252	3,128
Net losses from a fair value adjustment recognised in profit or loss	(8,521)	(2,804)	(216)
Transfers from owner-occupied property	2,060	–	2,128
Exchange realignment	(636)	(66)	–
Carrying amount at 31 December 2022 and 1 January 2023	**112,492**	**21,382**	**5,040**
Net losses from a fair value adjustment recognised in profit or loss	**(8,590)**	**(1,346)**	**(190)**
Exchange realignment	**(98)**	**(10)**	**–**
Carrying amount at 31 December 2023	**103,804**	**20,026**	**4,850**

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	**Significant unobservable inputs**	**Range 2023**	Range 2022
Commercial properties	Income approach	Adjustment on market unit price (per sq.m.)	**-25.3% to 0.8%**	-39.0% to -19.7%
		Adopted yield	**2.2% to 5.2%**	3.1% to 5.9%
	Market approach	Adjustment on market unit price (per sq.m.)	**-49.8% to -44.8%**	-45.7% to -3.8%
Residential properties	Income approach	Adjustment on market unit price (per sq.m.)	**-10.1% to 3.5%**	-9.2% to 4.9%
		Adopted yield	**2.5% to 2.7%**	2.2% to 2.4%
	Market approach	Adjustment on market unit price (per sq.m.)	**-44.1% to 0.6%**	-45.1% to 2.1%
Car parking spaces	Income approach	Adjustment on market unit price (per sq.m.)	**-7.0% to 0%**	-12.7% to -2.2%
		Adopted yield	**2.5% to 3.2%**	2.2% to 3.1%

13. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

Under the income approach, fair value is estimated by capitalising the current rental income and the reversionary value of the properties after tenancies expire and by referring to market sales transactions after making relevant adjustments.

The adjustment on the market unit price is determined by referring to the differences of the subject properties against the comparable properties in terms of time, size, view, floor and floor loading. The yields adopted are determined by referring to the current yields of the subject properties and the market yields published by the Rating and Valuation Department regarding the respective property types.

A significant increase/(decrease) in the market unit price in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in a positive adjustment or a significant decrease/(increase) in a negative adjustment on the market unit price would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the yield in isolation would result in a significant decrease/(increase) in the fair value of the investment properties.

Under the market approach, fair value is estimated based on the unit prices of comparable properties with certain adjustments made to reflect the differences in location, neighbourhood, environment, facilities, etc.

Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values. Physical, locational and economical characteristics are important criteria to be analysed when comparing such comparable properties against the subject properties.

The adjustment on the market unit price is determined by referring to the differences of the subject properties against the comparable properties in terms of time, building facilities, floor, view, size, loading and the listing nature of the comparable properties.

A significant increase/(decrease) in the unit price of comparable properties in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in a positive adjustment or a significant decrease/(increase) in a negative adjustment on the unit price would result in a significant increase/(decrease) in the fair value of the investment properties.

14. LEASES

The Group as a lessee

The Group leases certain of its offices and warehouse properties under operating lease arrangements, which are negotiated for terms ranging from six months to three years.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	2023 HK$'000	2022 HK$'000
Carrying amount at 1 January	**4,610**	6,257
Additions	**2,537**	2,561
Depreciation charge	**(3,420)**	(3,726)
Exchange realignment	**(57)**	(482)
Carrying amount at 31 December	**3,670**	4,610

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023 HK$'000	2022 HK$'000
Carrying amount at 1 January	**4,348**	5,712
New leases	**2,402**	2,500
Accretion of interest recognised during the year	**163**	318
Payments	**(3,431)**	(3,735)
Exchange realignment	**(57)**	(447)
Carrying amount at 31 December	**3,425**	4,348
Analysed into:		
Current portion	**2,152**	3,246
Non-current portion	**1,273**	1,102

The maturity analysis of lease liabilities is disclosed in note 37 to the financial statements.

14. LEASES *(continued)*

The Group as a lessee *(continued)*

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2023 HK$'000	2022 HK$'000
Interest on lease liabilities	**163**	318
Depreciation charge of right-of-use assets	**3,420**	3,726
Expense relating to short-term leases	**21,492**	22,293
Total amount recognised in profit or loss	**25,075**	26,337

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 31(c) and 33, respectively, to the financial statements.

(e) The Group has no termination options expected to be exercised.

The Group as a lessor

The Group leases its investment properties (note 13) under operating lease arrangements. The terms of the leases generally also require the tenants to pay security deposits. Rental income recognised by the Group during the year was HK$4,785,000 (2022: HK$4,570,000), details of which are included in note 5 to the financial statements.

At 31 December 2023 and 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2023 HK$'000	2022 HK$'000
Within one year	**4,538**	3,894
After one year but within two years	**3,230**	451
Total	**7,768**	4,345

15. INVESTMENTS IN ASSOCIATES

	2023 HK$'000	2022 HK$'000
Share of net assets	**2,206**	2,435
Due from associates	**31**	31
Total	**2,237**	2,466

The amounts due from associates are unsecured, interest-free and repayable on demand. In the opinion of the Company's directors, the amounts due from associates are unlikely to be repaid in the foreseeable future and are considered as part of the Group's net investments in the associates. There was no recent history of default and past due amounts for loans to associates. As at 31 December 2023 and 2022, the loss allowance was assessed to be minimal.

The Group's shareholdings in the associates are held through certain wholly-owned subsidiaries of the Company.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2023 HK$'000	2022 HK$'000
Share of the associates' losses for the year	**(261)**	(321)
Share of the associates' other comprehensive income/(loss)	**32**	(216)
Share of the associates' total comprehensive loss	**(229)**	(537)
Aggregate carrying amount of the Group's investments in the associates	**2,237**	2,466

16. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 HK$'000	2022 HK$'000
Equity investments at fair value through other comprehensive income		
Listed equity investments, at fair value		
PUC Berhad	**420**	383

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

During the year ended 31 December 2023, the gross income in respect of the Group's equity investments at fair value through other comprehensive income recognised in other comprehensive income amounted to HK$37,000 (2022: loss of HK$1,209,000).

17. INVENTORIES

	2023 HK$'000	2022 HK$'000
Finished goods	**75,539**	76,873
Work in progress	**14,372**	11,561
Total	**89,911**	88,434

18. TRADE AND BILLS RECEIVABLES

	2023 HK$'000	2022 HK$'000
Trade receivables	**206,346**	210,326
Bills receivable	**13,081**	13,574
Impairment	**(37,529)**	(43,509)
Net carrying amount	**181,898**	180,391

18. TRADE AND BILLS RECEIVABLES *(continued)*

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Payment is generally due within 90 days from the invoice date. 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 receivable balances. Trade and bills receivables are non-interest-bearing.

Included in the Group's trade and bills receivables are amounts due from New Founder Holdings Development Co., Ltd. ("New Founder"), a substantial shareholder of the Company, and its subsidiaries (collectively "New Founder Group") of HK$296,000 (2022: HK$350,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

An ageing analysis of the trade receivables, based on the invoice date and net of loss allowance, is as follows:

	2023 **HK$'000**	2022 HK$'000
Within 6 months	**122,912**	135,922
7 to 12 months	**19,373**	13,281
13 to 24 months	**22,136**	12,185
Over 24 months	**4,396**	5,429
Total	**168,817**	166,817

The movements in the loss allowance for impairment of trade receivables are as follows:

	2023 **HK$'000**	2022 HK$'000
At beginning of year	**43,509**	41,662
Impairment losses, net *(note 6)*	**7,326**	6,494
Amount written off as uncollectible	**(12,526)**	(1,960)
Exchange realignment	**(780)**	(2,687)
At end of year	**37,529**	43,509

18. TRADE AND BILLS RECEIVABLES *(continued)*

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on the ageing of groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The decrease in the loss allowance of HK$5,980,000 was a result of write off of uncollectible balances. The individually impaired trade receivables are related to customers that were credit-impaired or in default of payments and no receivable is expected to be recovered.

Set out below is the information about the credit risk exposure on the Group's trade receivables:

As at 31 December 2023

	Ageing				
	Less than 6 months	**7 to 12 months**	**13 to 24 months**	**Over 24 months**	**Total**
Impairment of credit loss assessed by credit risk portfolio					
Expected credit loss rate	**2.72%**	**10.91%**	**25.92%**	**82.04%**	**16.62%**
Gross carrying amount (HK$'000)	**126,354**	**21,746**	**29,882**	**24,474**	**202,456**
Expected credit losses (HK$'000)	**3,442**	**2,373**	**7,746**	**20,078**	**33,639**
Impairment of credit loss assessed individually					
Expected credit loss rate	**100%**	**100%**	**100%**	**100%**	**100%**
Gross carrying amount (HK$'000)	**–**	**–**	**–**	**3,890**	**3,890**
Expected credit losses (HK$'000)	**–**	**–**	**–**	**3,890**	**3,890**

18. TRADE AND BILLS RECEIVABLES *(continued)*

As at 31 December 2022

	Ageing				
	Less than 6 months	7 to 12 months	13 to 24 months	Over 24 months	Total
Impairment of credit loss assessed by credit risk portfolio					
Expected credit loss rate	2.38%	9.97%	25.95%	84.77%	19.06%
Gross carrying amount (HK$'000)	139,237	14,752	16,455	35,654	206,098
Expected credit losses (HK$'000)	3,315	1,471	4,270	30,225	39,281
Impairment of credit loss assessed individually					
Expected credit loss rate	100%	100%	100%	100%	100%
Gross carrying amount (HK$'000)	–	–	445	3,783	4,228
Expected credit losses (HK$'000)	–	–	445	3,783	4,228

Transferred financial assets that are derecognised in their entirety

At 31 December 2023, the Group endorsed certain bills receivable accepted by banks in Chinese Mainland (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers at the amount of nil (2022: HK$112,000). The Derecognised Bills had a maturity of one to twelve months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Company's directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the Company's directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2023, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

19. CONTRACT ASSETS

	2023 HK$'000	2022 HK$'000
Contract assets arising from:		
Sale of information products and software	**16,545**	17,455
Impairment	**(842)**	(259)
Net carrying amount	**15,703**	17,196

Contract assets are initially recognised for revenue earned from the sale of information products and software as the receipt of consideration is conditional on successful delivery of goods or completion of services. Included in contract assets for the sale of information products and software comprised retention receivables. Upon delivery of goods or services and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The decrease in contract assets in 2023 was the result of decreased percentage of retention terms in the sales contracts this year.

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

	2023 HK$'000	2022 HK$'000
Within one year	**12,903**	12,272
After one year	**3,642**	5,183
Total contract assets	**16,545**	17,455

The movements in the loss allowance for impairment of contract assets are as follows:

	2023 HK$'000	2022 HK$'000
At beginning of year	**259**	1,698
Impairment losses, net *(note 6)*	**455**	31
Amount written off	**–**	(1,324)
Exchange realignment	**128**	(146)
At end of year	**842**	259

19. CONTRACT ASSETS *(continued)*

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on the ageing of trade receivables for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The individually impaired contract assets are related to customers that were credit-impaired or in default of payments and no receivable is expected to be recovered.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	2023	2022
Expected credit loss rate	**5%**	1.5%
Gross carrying amount (HK$'000)	**16,545**	17,455
Expected credit losses (HK$'000)	**842**	259

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 **HK$'000**	2022 HK$'000
Prepayments	**22,870**	27,832
Deposits and other receivables	**31,193**	35,033
Loan receivables *(Note)*	**281,007**	285,081
Subtotal	**335,070**	347,946
Impairment allowance		
– Deposits and other receivables	**(6,885)**	(7,238)
– Loan receivables *(Note)*	**(281,007)**	(285,081)
Net carrying amount	**47,178**	55,627

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

The movements in the loss allowance for impairment of deposits, other receivables and loan receivables are as follows:

	Note	**2023 HK$'000**	2022 HK$'000
At beginning of year		**292,319**	468,720
Impairment/(reversal of impairment) losses recognised	6	**12**	(141,859)
Amount written off as uncollectible		**(262)**	(672)
Exchange realignment		**(4,177)**	(33,870)
At end of year		**287,892**	292,319

Deposits and other receivables mainly represent rental deposits and deposits with customers. Expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

Included in the Group's other receivables as at 31 December 2023 are amounts due from New Founder Group of approximately HK$71,000 (2022: HK$167,000).

Note: As at 31 December 2019, an entrusted loan receivable in a principal amount of RMB370,000,000 (approximately HK$412,180,000) and related interest of RMB5,591,000 (equivalent to approximately HK$6,228,000) (collectively the "Outstanding Entrusted Loan") were receivable from 北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder"). On 18 February 2020, the Company received a notification letter from Peking Founder, regarding a notice received by Peking Founder from The First Intermediate People's Court of Beijing (the "Court"). According to such notice, Bank of Beijing Co., Ltd. applied to the Court for a restructuring of Peking Founder. On 19 February 2020, according to the civil order and decision letter received by Peking Founder from the Court, the Court decided to accept the application made by Bank of Beijing Co., Ltd. for the initiation of restructuring procedure against Peking Founder and appointed Peking Founder's liquidation team as the administrator of Peking Founder. On 3 March 2020, the Company declared that the Outstanding Entrusted Loan became due. According to the relevant laws and regulations about judicial restructuring, Peking Founder is not allowed to settle individual debts during the restructuring period, including the Outstanding Entrusted Loan. Considering the deterioration of financial condition and repayment ability of Peking Founder and the possibility of recovering the balances, management of the Company determined that the recoverability was remote. Therefore, a full provision for impairment was made on the Outstanding Entrusted Loan in 2019.

According to the restructuring proposal (the "Proposal") of Peking University Founder Group Company Limited, Peking University Founder Information Industry Group Co., Ltd., Founder Industry Holdings Co., Ltd., Peking University Healthcare Industry Group Co., Ltd., and Peking University Resource Group Limited (collectively "the Five Companies including Peking Founder"), among the equity assets, debt assets and other assets that the Five Companies including Peking Founder have the right to dispose, the majority were used to set up New Founder and its six subordinate business platform companies. The equity interest of New Founder was transferred to Ping An Life Insurance Company of China, Ltd and other new shareholders. The equity interest of the Company originally indirectly held by Peking Founder was transferred to and is held indirectly by Ping An Life Insurance Company of China, Ltd and other new shareholders.

Under the Proposal, the entrusted loans lent to Peking Founder were settled on 11 March 2022 as to the amount of RMB993,000 (equivalent to approximately HK$1,159,000) and, on 28 December 2022, as to the amount of RMB119,778,000 (equivalent to approximately HK$139,756,000). The provision for impairment of RMB120,771,000 (equivalent to approximately HK$140,915,000) was reversed in 2022.

As at 31 December 2023, the restructuring of Peking Founder was still in progress and the recoverability of the remaining Outstanding Entrusted Loan was uncertain, management of the Company considered the remaining provision for impairment remained unchanged.

As at 31 December 2023, the principal is amounted to RMB249,229,000 (equivalent to approximately HK$275,025,000) (2022: equivalent to approximately HK$279,012,000) and related interest is amount to RMB5,591,000 (equivalent to approximately HK$6,170,000) (2022: equivalent to approximately HK$6,259,000).

* *For identification purpose only*

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 **HK$'000**	2022 HK$'000
Listed equity investments, at market value	**920**	1,060
Listed derivative investments, at market value	**26**	21
Total	**946**	1,081

The above equity investments at 31 December 2023 were classified as financial assets at fair value through profit or loss as they were held for trading.

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2023 **HK$'000**	2022 HK$'000
Cash and bank balances	**653,775**	625,762
Time deposits	**100,101**	112,558
Subtotal	**753,876**	738,320
Less: Pledged time deposits:		
Pledged for long term letters of guarantee	**(1,742)**	(4,284)
Pledged for short term letters of guarantee	**(3,113)**	(721)
Cash and cash equivalents	**749,021**	733,315

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to approximately HK$644,791,000 (2022: HK$614,731,000). The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between seven days and six months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

23. 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 or bills payment date, is as follows:

	2023 **HK$'000**	2022 HK$'000
Within 6 months	**44,699**	48,307
7 to 12 months	**12,601**	2,698
13 to 24 months	**2,741**	882
Over 24 months	**3,361**	3,710
Total	**63,402**	55,597

Included in the Group's trade and bills payables are amounts due to New Founder Group of approximately HK$113,000 (2022: HK$402,000), which are repayable on agreed terms similar to those offered by other third party suppliers.

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days.

24. CONTRACT LIABILITIES

Details of contract liabilities as at 31 December 2023 and 31 December 2022 are as follows:

	2023 **HK$'000**	2022 HK$'000
Sale of information products and software	**47,965**	71,887

Contract liabilities include short-term advances received for delivery of information products and software and rendering of software development and system integration services and amounts due to contract customers. The decrease in contract liabilities in 2023 was mainly due to the completion of delivery of goods or services and acceptance by the customer at the end of the year.

25. OTHER PAYABLES AND ACCRUALS

	2023 HK$'000	2022 HK$'000
Accrued salaries and bonuses	**96,115**	103,147
Subcontracting fee	**64,225**	57,937
Other tax payables	**19,323**	25,953
Deferred revenue	**14,677**	14,889
Due to Peking Founder and its subsidiaries ("Peking Founder Group")	**–**	39,552
Others	**12,385**	14,701
Total	**206,725**	256,179

Other payables are non-interest-bearing and have an average term of three months.

26. INTEREST-BEARING BANK BORROWINGS

The Group's trade finance facilities amounting to nil (2022: nil), of which nil (2022: nil) had been utilised as at the end of the reporting year. As at 31 December 2023, the trade finance facilities are secured by the Group's investment properties situated in Hong Kong, which had an aggregate carrying value at the end of the reporting period of HK$65,739,000 (2022: HK$71,547,000).

27. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

	Revaluation of properties HK$'000	Temporary difference on depreciation of properties HK$'000	Accelerated amortisation of intangible assets HK$'000	Accrued expenses HK$'000	Losses available for offsetting future taxable profits HK$'000	Impairment of assets HK$'000	Others HK$'000	Total HK$'000
At 1 January 2022	(74,713)	13,295	599	9,102	6,894	117,995	3,057	76,229
Deferred tax credited/(charged) to the statement of profit or loss for the year *(note 10)*	15	1,727	(572)	(8,683)	(368)	(112,572)	(2,916)	(123,369)
Deferred tax credited to other comprehensive income during the year	3,289	–	–	–	–	–	–	3,289
Exchange realignment	5,936	(1,400)	(27)	(419)	–	(5,423)	(141)	(1,474)
At 31 December 2022 and 1 January 2023	**(65,473)**	**13,622**	**–**	**–**	**6,526**	**–**	**–**	**(45,325)**
Deferred tax credited/(charged) to the statement of profit or loss for the year *(note 10)*	**175**	**1,597**	**–**	**–**	**(35)**	**–**	**(13)**	**1,724**
Deferred tax credited to other comprehensive income during the year	**(1,534)**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,534)**
Exchange realignment	**866**	**(241)**	**–**	**–**	**–**	**–**	**–**	**625**
At 31 December 2023	**(65,966)**	**14,978**	**–**	**–**	**6,491**	**–**	**(13)**	**(44,510)**

In 2022, the Group reviewed the carrying amounts of deferred tax assets and reduced the carrying amounts of deferred tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to enable the assets to be recovered. In 2023, the Group evaluated a variety of factors including the Group's operating history, accumulated tax losses, existence of taxable temporary differences, future taxable profit and reversal periods, and made determination that no deferred tax assets should be recognized.

27. DEFERRED TAX *(continued)*

For presentation purposes, at the end of the reporting period, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2023 **HK$'000**	2022 HK$'000
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(44,510)**	(45,325)

Deferred tax assets have not been recognised in respect of the following items:

	2023 **HK$'000**	2022 HK$'000
Tax losses	**857,801**	777,300
Deductible temporary differences	**106,787**	145,315
Total	**964,588**	922,615

The Group has tax losses arising in Hong Kong of approximately HK$362,418,000 (2022: HK$352,120,000), that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. As at 31 December 2023, the Group had tax losses arising in Chinese Mainland of HK$495,383,000 (2022: HK$425,180,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses and other deductible temporary differences as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008. The applicable rate is 5% or 10% for the Group.

At 31 December 2023, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Chinese Mainland. In the opinion of the Company's directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Chinese Mainland for which deferred tax liabilities have not been recognised totalled approximately HK$588,528,000 at 31 December 2023 (2022: HK$506,287,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

28. SHARE CAPITAL

Shares

	2023 HK$'000	2022 HK$'000
Authorised:		
2,100,000,000 (2022: 2,100,000,000) ordinary shares of HK$0.10 each	**210,000**	210,000
Issued and fully paid:		
1,199,746,993 (2022: 1,199,746,993) ordinary shares of HK$0.10 each	**119,975**	119,975

There were no movements in the Company's issued share capital during the years ended 31 December 2023 and 2022.

29. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, senior management, employees of the Group, any substantial shareholders or any companies controlled by a substantial shareholder, any one or entity, who in the sole opinion of the Board, has contributed or will contribute to the Group or any substantial shareholder. The Scheme became effective on 31 May 2016 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue unless (i) a circular is despatched to the shareholders; (ii) the shareholders approve the grant of the share options in excess of the 1% limit referred to in this paragraph; and (iii) the relevant eligible person and his associates shall abstain from voting. The number and terms (including the exercise price) of share options to be granted to such eligible person(s) must be fixed before shareholders' approval.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

29. SHARE OPTION SCHEME *(continued)*

The offer of a grant of share options may be accepted within 30 days inclusive of the day on which such offer was made, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences on such date or after the date on which the share option is granted as the board may determine in granting the share options and expires at the close of business on such date as the board may determine in granting the share options but in any event shall not exceed 10 years from the date of grant (which is the date of offer of grant if the offer for the grant of the share option is accepted).

There is no specified minimum period under the Scheme for which a share option must be held or the performance target which must be achieved before a share option can be exercised under the terms of the Scheme.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share options were granted during the years ended 31 December 2023 and 2022 and there were no outstanding options as at 31 December 2023 and 2022.

30. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 75 and 76 of the financial statements.

The Group's share premium account includes the premium arising from the issue of new shares in prior years, and amount transferred from share-based compensation reserve upon exercise of share options in prior years. The application of the share premium account is governed by the Companies Act 1981 of Bermuda.

The Group's contributed surplus represents the excess of the nominal value of the shares and the share premium account of Founder HK acquired pursuant to the Group reorganisation on 31 March 2000 over the nominal value of the Company's shares issued in exchange therefor.

In accordance with the relevant PRC regulations, each of the Group's PRC subsidiaries is required to transfer not less than 10% of its profit after tax, as determined in accordance with PRC accounting standards and regulations, to the general reserve until such reserve reaches 50% of its registered capital. The quantum of the annual transfer is subject to the approval of the board of directors of each PRC subsidiary in accordance with its articles of association.

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$2,402,000 (2022: HK$2,500,000) and HK$2,402,000 (2022: HK$2,500,000), respectively, in respect of lease arrangements for offices and warehouse properties.

(b) Changes in liabilities arising from financing activities

2023

	Lease liabilities HK$'000
At 1 January 2023	**4,348**
Changes from financing cash flows	**(3,268)**
New leases	**2,402**
Interest expense	**163**
Interest paid classified as operating cash flows	**(163)**
Foreign exchange movement	**(57)**
At 31 December 2023	**3,425**

2022

	Lease liabilities HK$'000
At 1 January 2022	5,712
Changes from financing cash flows	(3,417)
New leases	2,500
Interest expense	318
Interest paid classified as operating cash flows	(318)
Foreign exchange movement	(447)
At 31 December 2022	4,348

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2023 **HK$'000**	2022 HK$'000
Within operating activities	**62,876**	8,870
Within financing activities	**3,268**	3,417
Total	**66,144**	12,287

32. CONTINGENT LIABILITIES

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

33. COMMITMENTS

(a) At the end of the reporting period, the Group did not have any significant commitments.

(b) The Group has various lease contracts that have not yet commenced as at 31 December 2023. The future lease payments for these non-cancellable lease contracts are HK$727,000 (2022: HK$161,000) due within one year, and HK$1,077,000 (2022: nil) due in the second to fifth years, inclusive.

34. RELATED PARTY TRANSACTIONS

(I) Transactions with related parties

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Note	2023 HK$'000	2022 HK$'000
Sales of goods to New Founder Group	*(i)*	**323**	–
Sales of goods to Peking Founder Group	*(i)*	**–**	5,343
Sales of goods to Ping An Group	*(i)*	**1,825**	7
Purchase of goods from New Founder Group	*(i)*	**811**	–
Purchase of goods from Peking Founder Group	*(i)*	**–**	1,402
Rental expense to New Founder	*(ii)*	**7,491**	–
Rental expense to Peking Founder	*(ii)*	**–**	14,428
Management expense to Beida Management	*(iii)*	**5,069**	5,654

Notes:

(i) These transactions were conducted with reference to the market price of such products and services at the relevant time of sales or purchases.

(ii) The expenses were attributable to the lease agreement with Peking Founder and New Founder to lease the premises in Beijing at market price.

(iii) The expenses were attributable to the management agreement with Beida Management to accept property management services at market price.

The above related party transactions for the current year in respect of items (i), (ii) and (iii) also constitute connected transactions as defined in Chapter 14A of the Listing Rules.

(II) Outstanding balances with related parties

(a) Details of the Group's other receivables and other payables with its related companies as at the end of the reporting period are disclosed in notes 20 and 25 to the financial statements.

(b) Details of the Group's amounts due from its associates as at the end of the reporting period are included in note 15 to the financial statements.

(c) Details of the Group's trade balances with its related companies as at the end of the reporting period are disclosed in notes 18 and 23 to the financial statements.

34. RELATED PARTY TRANSACTIONS *(continued)*

(III) Compensation of key management personnel of the Group

	2023 HK$'000	2022 HK$'000
Short term employee benefits	**5,129**	5,031
Pension scheme contributions	**183**	175
Total compensation paid to key management personnel	**5,312**	5,206

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2023

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income		Total
			Debt	Equity	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Equity investments at fair value through other comprehensive income	–	–	–	420	420
Contract assets	–	15,703	–	–	15,703
Trade and bills receivables	–	168,817	13,081	–	181,898
Financial assets included in prepayments, other receivables and other assets	–	24,308	–	–	24,308
Financial assets at fair value through profit or loss	946	–	–	–	946
Pledged deposits	–	4,855	–	–	4,855
Cash and cash equivalents	–	749,021	–	–	749,021
Total	946	962,704	13,081	420	977,151

35. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2023 *(continued)*

Financial liabilities – financial liabilities at amortised cost

	HK$'000
Trade and bills payables	**63,402**
Financial liabilities included in other payables and accruals	**76,610**
Lease liabilities	**3,425**
Total	**143,437**

2022

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income		Total
			Debt	Equity	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Equity investments at fair value through other comprehensive income	–	–	–	383	383
Contract assets	–	17,196	–	–	17,196
Trade and bills receivables	–	166,817	13,574	–	180,391
Financial assets included in prepayments, other receivables and other assets	–	27,795	–	–	27,795
Financial assets at fair value through profit or loss	1,081	–	–	–	1,081
Pledged deposits	–	5,005	–	–	5,005
Cash and cash equivalents	–	733,315	–	–	733,315
Total	1,081	950,128	13,574	383	965,166

Financial liabilities – financial liabilities at amortised cost

	HK$'000
Trade and bills payables	55,597
Financial liabilities included in other payables and accruals	112,190
Lease liabilities	4,348
Total	172,135

36. 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	
	2023 HK$'000	2022 HK$'000	**2023 HK$'000**	2022 HK$'000
Financial assets				
Equity investments at fair value through other comprehensive income	**420**	383	**420**	383
Pledged deposits, non-current portion	**1,742**	4,284	**1,686**	4,081
Bills receivable	**13,081**	13,574	**13,081**	13,574
Financial assets at fair value through profit or loss	**946**	1,081	**946**	1,081
Total	**16,189**	19,322	**16,133**	19,119

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables 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 values of the non-current portion of the pledged deposits and bills receivable have 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 the non-current portion of the pledged deposits as at 31 December 2023 was assessed to be insignificant.

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

36. 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 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Equity investments at fair value through other comprehensive income	**420**	**–**	**–**	**420**
Financial assets at fair value through profit or loss	**946**	**–**	**–**	**946**
Bills receivable	**–**	**13,081**	**–**	**13,081**
Total	**1,366**	**13,081**	**–**	**14,447**

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'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
Total	1,464	13,574	–	15,038

The Group did not have any financial liabilities measured at fair value as at 31 December 2023 and 31 December 2022.

During the year, 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 (2022: Nil).

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

Fair value hierarchy *(continued)*

Assets for which fair values are disclosed

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Pledged deposits, non-current portion	**–**	**1,686**	**–**	**1,686**

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Pledged deposits, non-current portion	–	4,081	–	4,081

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from monetary assets denominated in currencies other than the functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB, US$ and JPY exchange rates, with all other variables held constant, of the Group's profit before tax (arising from RMB, US$ and JPY denominated financial instruments) for the year:

2023

	Increase/ (decrease) in profit before tax HK$'000
If HK$ strengthens 1% against RMB	**(853)**
If HK$ weakens 1% against RMB	**853**
If HK$ strengthens 1% against US$	**(78)**
If HK$ weakens 1% against US$	**78**

2022

	Increase/ (decrease) in profit before tax HK$'000
If HK$ strengthens 1% against RMB	(847)
If HK$ weakens 1% against RMB	847
If HK$ strengthens 1% against US$	(31)
If HK$ weakens 1% against US$	31
If HK$ strengthens 1% against JPY	(21)
If HK$ weakens 1% against JPY	21

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The tables below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Contract assets*	–	–	–	16,545	16,545
Trade and bills receivables*	13,081	–	–	206,346	219,427
Financial assets included in prepayments, other receivables and other assets					
– Normal**	24,832	–	–	–	24,832
– Doubtful**	–	6,361	281,007	–	287,368
Pledged deposits					
– Not yet past due	4,855	–	–	–	4,855
Cash and cash equivalents					
– Not yet past due	749,021	–	–	–	749,021
Total	791,789	6,361	281,007	222,891	1,302,048

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

Maximum exposure and year-end staging *(continued)*

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Contract assets*	–	–	–	17,455	17,455
Trade receivables*	13,574	–	–	210,326	223,900
Financial assets included in prepayments, other receivables and other assets					
– Normal**	28,579	–	–	–	28,579
– Doubtful**	–	6,454	285,081	–	291,535
Pledged deposits					
– Not yet past due	5,005	–	–	–	5,005
Cash and cash equivalents					
– Not yet past due	733,315	–	–	–	733,315
Total	780,473	6,454	285,081	227,781	1,299,789

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 18 and 19 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and lease liabilities. In addition, banking facilities have been put in place for contingency purposes.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Within 1 year or on demand HK$'000	**Over 1 year HK$'000**	**2023 Total HK$'000**
Trade and bills payables	**63,402**	**–**	**63,402**
Financial liabilities included in other payables and accruals	**76,610**	**–**	**76,610**
Lease liabilities	**2,256**	**1,322**	**3,578**
Total	**142,268**	**1,322**	**143,590**

	Within 1 year or on demand HK$'000	Over 1 year HK$'000	2022 Total HK$'000
Trade and bills payables	55,597	–	55,597
Financial liabilities included in other payables and accruals	112,190	–	112,190
Lease liabilities	3,319	1,176	4,495
Total	171,106	1,176	172,282

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as financial assets at fair value through profit or loss (note 22) and equity investments at fair value through other comprehensive income (note 16) as at 31 December 2023 and 31 December 2022. The Group's listed investments are listed on the ACE Market of Bursa Malaysia Securities Berhad, New York Stock Exchange, Hong Kong Stock Exchange and the Taiwan Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The following table demonstrates the sensitivity to every 1% change in the fair values of the Group's principal equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the equity investments at fair value through other comprehensive income, the impact is deemed to be on equity investments at fair value through other comprehensive income revaluation reserve.

	Carrying amount of investments HK$'000	**Increase/ (decrease) in profit before tax** HK$'000	**Increase/ (decrease) in equity*** HK$'000
2023			
Investments listed in:			
Malaysia – Equity investments at fair value through other comprehensive income	**420**	**–**	**4**
New York – Financial assets at fair value through profit or loss	**534**	**5**	**–**
Hong Kong – Financial assets at fair value through profit or loss	**360**	**3**	**–**
Malaysia – Financial assets at fair value through profit or loss	**26**	**–**	**–**
Taiwan – Financial assets at fair value through profit or loss	**26**	**–**	**–**
2022			
Investments listed in:			
Malaysia – Equity investments at fair value through other comprehensive income	383	–	4
New York – Financial assets at fair value through profit or loss	275	3	–
Hong Kong – Financial assets at fair value through profit or loss	755	8	–
Malaysia – Financial assets at fair value through profit or loss	21	–	–
Taiwan – Financial assets at fair value through profit or loss	30	–	–

* Excluding retained profits.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 31 December 2022.

The Group monitors capital using a debt to equity ratio, which is interest-bearing bank borrowings and lease liabilities divided by total equity attributable to owners of the parent. The debt to equity ratios as at the end of the reporting periods were as follows:

	31 December 2023 HK$'000	31 December 2022 HK$'000
Lease liabilities *(note 14)*	**3,425**	4,348
Total equity attributable to owners of the parent	**1,100,088**	1,050,068
Debt to equity ratio	**0.3%**	0.4%

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**559,088**	559,088
Total non-current assets	**559,088**	559,088
CURRENT ASSETS		
Prepayments, deposits and other receivables	**398**	359
Cash and cash equivalents	**1,060**	1,205
Total current assets	**1,458**	1,564
CURRENT LIABILITIES		
Other payables and accruals	**927**	497
NET CURRENT ASSETS	**531**	1,067
TOTAL ASSETS LESS CURRENT LIABILITIES	**559,619**	560,155
NON-CURRENT LIABILITIES		
Due to a subsidiary	**222,915**	220,436
Total non-current liabilities	**222,915**	220,436
Net assets	**336,704**	339,719
EQUITY		
Issued capital	**119,975**	119,975
Reserves	**216,729**	219,744
Total equity	**336,704**	339,719

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2022	53,597	448,209	(278,768)	223,038
Total comprehensive loss for the year	–	–	(3,294)	(3,294)
At 1 January 2023	**53,597**	**448,209**	**(282,062)**	**219,744**
Total comprehensive loss for the year	**–**	**–**	**(3,015)**	**(3,015)**
At 31 December 2023	**53,597**	**448,209**	**(285,077)**	**216,729**

The Company's contributed surplus represents the excess of the fair value of the shares of Founder HK acquired pursuant to the Group reorganisation on 31 March 2000 over the nominal value of the Company's shares issued in exchange therefor. Under the Bermuda Companies Act 1981 (as amended), the Company may make distributions to its shareholders out of the contributed surplus in certain circumstances.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2024.

PARTICULARS OF INVESTMENT PROPERTIES

31 DECEMBER 2023

Location	Use	Tenure	Percentage of interest attributable to the Group
Units 1, 2a, 2b, 3a, 3b, 4a, 4b, 5, 6a, 6b, 7a, 7b, 11b, 12 and 13 on 14th Floor Cable TV Tower 9 Hoi Shing Road Tsuen Wan New Territories Hong Kong	Office premises/ warehouse for rental	Medium term lease	100
Office car parking space P37 and P38 on 3rd Floor Cable TV Tower 9 Hoi Shing Road Tsuen Wan New Territories Hong Kong	Car parking space for rental	Medium term lease	100
Residential car parking space No. 324 on Podium Level 2 Rhine Garden 38 Castle Peak Road Sham Tseng New Territories Hong Kong	Car parking space for rental	Medium term lease	100
Flat B, 29th Floor, Block 3 Locwood Court Kingswood Villas 1 Tin Wu Road Tin Shui Wai Yuen Long New Territories Hong Kong	Residential premises for rental	Medium term lease	100

Location	Use	Tenure	Percentage of interest attributable to the Group
Flat B, 8th Floor, Block 2 and car parking space No. 60 on Level 1 Dragon Inn Court 9 Tsing Ha Lane Tuen Mun New Territories Hong Kong	Residential premises and car parking space for rental	Medium term lease	100
Flat D, 12th Floor, Block 2 Belvedere Garden Phase 2 620 Castle Peak Road Tsuen Wan New Territories Hong Kong	Residential premises for rental	Medium term lease	100
Units 1-7-1, 8-7-1 No.126 Yuzhou Road Jiulongpo District Chongqing Chinese Mainland	Office premises for rental	Medium term lease	100
6th Floor, Block 4 Youyi Garden 52 Kaixuan Road Kuancheng District Changchun Chinese Mainland	Residential premises for rental	Medium term lease	100

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

RESULTS

	Year ended 31 December				
	2023 HK$'000	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000
REVENUE	**982,029**	957,578	1,073,838	936,545	1,058,424
PROFIT/(LOSS) FOR THE YEAR	**59,756**	34,751	43,484	53,897	(238,790)
Attributable to:					
Owners of the parent	**59,756**	34,751	43,484	53,897	(238,790)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2023 HK$'000	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000
TOTAL ASSETS	**1,466,417**	1,483,734	1,566,812	1,515,608	1,509,142
TOTAL LIABILITIES	**(366,329)**	(433,666)	(473,409)	(469,358)	(567,760)
	1,100,088	1,050,068	1,093,403	1,046,250	941,382