FOUNDER HOLDINGS LIMITED
方正控股有限公司*

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

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

INTERIM RESULTS

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

		For the six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	NOTES	***HK$'000***	*HK$'000*
REVENUE	*2*	**437,752**	364,064
Cost of sales		**(237,094)**	(216,177)
Gross profit		**200,658**	147,887
Other income and gains	*3*	**36,941**	36,976
Selling and distribution expenses		**(122,497)**	(93,353)
Administrative expenses		**(34,084)**	(28,324)
Other expenses, net		**(85,098)**	(57,275)
Finance costs	*4*	**(4,006)**	(3,135)
Share of profits/(losses) of associates		**127**	(320)

	NOTES	For the six months ended 30 June **2018** **(Unaudited)** ***HK$'000***	 2017 (Unaudited) *HK$'000*
PROFIT/(LOSS) BEFORE TAX	*5*	**(7,959)**	2,456
Income tax	*6*	**(255)**	(1,016)
PROFIT/(LOSS) FOR THE PERIOD		**(8,214)**	1,440
Attributable to:			
Owners of the parent		**(8,212)**	1,442
Non-controlling interests		**(2)**	(2)
		(8,214)	1,440
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted	*7*	**HK(0.7) cents**	HK0.1 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018

	NOTES	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**354,299**	359,419
Investment properties		**117,867**	117,879
Investment in associates		**3,154**	3,430
Available-for-sale investments		**–**	19,718
Financial assets at fair value through other comprehensive income		**11,546**	–
Deferred tax asset		**2,119**	2,268
Pledged deposit		**6,443**	7,201
Total non-current assets		**495,428**	509,915
CURRENT ASSETS			
Inventories		**87,843**	103,810
Gross amount due from contract customers		**15,622**	17,744
Trade and bills receivables	*8*	**186,684**	161,384
Prepayments, deposits and other receivables		**521,567**	511,569
Equity investments at fair value through profit or loss		**1,025**	2,287
Pledged deposits		**7,101**	7,396
Cash and cash equivalents		**382,329**	509,277
Total current assets		**1,202,171**	1,313,467
CURRENT LIABILITIES			
Trade and bills payables	*9*	**49,953**	78,615
Contract liabilities		**126,397**	–
Gross amount due to contract customers		**–**	19,247
Other payables and accruals		**174,018**	358,791
Interest-bearing bank borrowings		**164,206**	161,119
Tax payable		**4,075**	5,443
Total current liabilities		**518,649**	623,215
NET CURRENT ASSETS		**683,522**	690,252
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,178,950**	1,200,167

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
30 June 2018

1. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

1.1. Basis of preparation

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

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

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

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

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

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

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

HKFRS 15 Revenue from Contracts with Customers

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

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

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

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

(a) Financing component of accounting receivables

The Group offers exquisite and high quality Founder Font library copyrights for customers. Currently, when the Font library copyright becomes effective, the Group recognises the entire contract amount into revenue as no additional cost will incur in subsequent periods. Upon the adoption of HKFRS 15, when determining the revenue amount, the Group adjusts the contract sum after taking into consideration of the effects of the time value of money, as there is an implicit financing benefit provided to the customer with a contract with long payment term. The revenue from contracts with long payment terms was recognised at a point when control of the asset was transferred to the customer, generally upon delivery of the copyrights, and considering the time value of money, the significant financing component was recognised.

The adoption of HKFRS 15 has had no significant impact as at 1 January 2018.

(b) Presentation and disclosure requirements

As required for the condensed interim financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The disclosure on disaggregated revenue is set out in note 2 to the interim financial stataments.

(c) Presentation of contracts and liabilities

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

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

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

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

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

HKFRS 9 Financial Instruments

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

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

Classification and measurement

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

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

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

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

2. REVENUE AND OPERATING SEGMENT INFORMATION

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

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

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

3. OTHER INCOME AND GAINS

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

4. FINANCE COSTS

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

5. PROFIT/(LOSS) BEFORE TAX

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

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

6. INCOME TAX

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

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

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

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

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

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

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

8. TRADE AND BILLS RECEIVABLES

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

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

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

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

* *For identification purpose only*

9. TRADE AND BILLS PAYABLES

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

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

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

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

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

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

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

a. an increase in the gross profit by 35.7% to approximately HK$200.7 million (six months ended 30 June 2017: HK$147.9 million);

b. one-off gain on disposal of intangible assets of approximately HK$6.6 million in prior period; and

c. an increase in total selling and distribution expenses, administrative expenses and other expenses, net by 35.1% to approximately HK$241.7 million (six months ended 30 June 2017: HK$179.0 million) as a result of increase in staff cost for the development of new products and business.

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

OPERATING REVIEW AND PROSPECTS

Font Library Business

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

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

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

(2) Marketing and service aspect: We have stepped up in promoting the positive publicity by establishing cooperation relationships with designers, studios and advertising companies. Followed the completion of development of a PC client-end "Font +" in the first half of 2018, we have established a comprehensive service system covering the official website of Founder font library, Founder font library APP, and a PC client-end "Font +".

(3) Font production aspect: In addition to the establishment of its own exquisite font library, we also strengthened its external cooperation to join hands with independent font designers, medium-to-small font library manufacturers and other manufacturers in Hong Kong, Taiwan, Japan and English-speaking countries, including establishment

of comprehensive cooperation with Monotype, the largest font design manufacturers of western languages in the world, with a view to provide clients with complete font solutions that have the most abundant fonts and support the most languages. We have completed the design of 32 kinds of more than 100 fonts in the first half of 2018.

Printing business

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

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

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

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

Media Business

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

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

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

Internet Information Business

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

PROSPECTS

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

EMPLOYEES

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

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

FINANCIAL REVIEW

Liquidity, financial resources and capital commitments

During the current interim period, the Group generally financed its operations with internally generated resources and banking facilities provided by its principal bankers in Hong Kong and the PRC. As at 30 June 2018, the Group had interest-bearing bank borrowings of approximately HK$164.2 million (31 December 2017: HK$161.1 million), of which HK$124.2 million (31 December 2017: HK$121.1 million) were fixed interest bearing and HK$40.0 million (31 December 2017: HK$40.0 million) were floating interest bearing. The bank borrowings were denominated in Hong Kong Dollars ("HKD"), Renminbi ("RMB") and United States Dollars ("U.S. dollars"), and were repayable within one year. The Group's banking facilities were secured by corporate guarantees given by the Company, 北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder") (a substantial shareholder of the Company), PKU Founder Group Finance Co., Ltd. (a subsidiary of Peking Founder), certain of the Group's land and buildings, investment properties and bank deposits.

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

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

Treasury policies

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

Exposure to fluctuations in exchange rates and related hedges

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

Contracts

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

Material acquisitions and disposals of subsidiaries, associates and joint ventures

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

Charges on assets

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

Future Plans for Material Investments or Capital Assets

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

Contingent liabilities

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

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.

CORPORATE GOVERNANCE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUER (THE "MODEL CODE")

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

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's condensed consolidated interim financial statements for the six months ended 30 June 2018, including the accounting principles adopted by the Group, with the Company's management.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The 2018 interim report of the Company containing all the information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders of the Company and published on The Hong Kong Exchanges and Clearing Limited's website (www.hkexnews.hk) and the Company's website (www.irasia.com/listco/hk/founder) in due course.

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

Hong Kong
28 August 2018

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

* *For identification purpose only*