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FOUNDER HOLDINGS LIMITED
方正控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00418)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The board of directors (the "Board") of Founder Holdings Limited (the "Company") is pleased to announce the consolidated results and financial position of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2019 together with the comparative figures.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	NOTES	**2019** *HK$'000*	2018 *HK$'000*
REVENUE	4	**1,058,424**	1,058,857
Cost of sales		**(536,786)**	(542,733)
Gross profit		**521,638**	516,124
Other income and gains	4	**94,415**	105,668
Selling and distribution expenses		**(235,855)**	(246,806)
Administrative expenses		**(96,167)**	(97,383)
Other expenses, net		**(624,167)**	(181,035)
Finance costs	5	**(9,538)**	(7,882)
Share of profits/(losses) of associates		**145**	(209)
(LOSS)/PROFIT BEFORE TAX	6	**(349,529)**	88,477
Income tax	7	**110,739**	(966)
(LOSS)/PROFIT FOR THE YEAR		**(238,790)**	87,511

	NOTE	**2019** HK$'000	2018 HK$'000
Attributable to:			
Owners of the parent		**(238,790)**	87,336
Non-controlling interests		**–**	175
		(238,790)	87,511
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	8	**HK(19.9) cents**	HK7.3 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
(LOSS)/PROFIT FOR THE YEAR	**(238,790)**	87,511
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of associates	**(55)**	(677)
	(55)	(677)
Exchange differences:		
Exchange differences on translation of foreign operations	**(11,245)**	(39,045)
Reclassification adjustments for a foreign operation deregistered during the year	**–**	(890)
	(11,245)	(39,935)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(11,300)**	(40,612)
Other comprehensive income 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	**(4,115)**	(12,995)
Revaluation surplus of land and buildings, net of tax	**9,886**	15,894
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**5,771**	2,899
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(5,529)**	(37,713)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(244,319)**	49,798
Attributable to:		
Owners of the parent	**(244,319)**	49,638
Non-controlling interests	**–**	160
	(244,319)	49,798

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2019

	NOTES	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**324,301**	337,289
Investment properties		**146,184**	147,223
Right-of-use assets		**2,805**	–
Investments in associates		**2,634**	2,544
Equity investments at fair value through other comprehensive income		**2,641**	6,709
Intangible assets		**–**	–
Deferred tax assets		**115,793**	4,569
Pledged deposits		**4,109**	4,804
Total non-current assets		**598,467**	503,138
CURRENT ASSETS			
Inventories		**71,131**	93,569
Trade and bills receivables	9	**178,019**	139,700
Contract assets		**17,334**	45,003
Prepayments, other receivables and other assets		**78,453**	472,591
Financial assets at fair value through profit or loss		**563**	803
Pledged deposits		**10,123**	8,073
Cash and cash equivalents		**553,866**	548,222
Tax recoverable		**1,186**	–
Total current assets		**910,675**	1,307,961
CURRENT LIABILITIES			
Trade and bills payables	10	**62,040**	69,987
Contract liabilities		**77,385**	86,373
Other payables and accruals		**255,080**	246,133
Interest-bearing bank borrowings		**107,093**	160,914
Lease liabilities		**1,979**	–
Tax payable		**7,157**	3,982
Total current liabilities		**510,734**	567,389
NET CURRENT ASSETS		**399,941**	740,572

	2019	2018
	HK$'000	*HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**998,408**	1,243,710
NON-CURRENT LIABILITIES		
Lease liabilities	**460**	–
Deferred tax liabilities	**56,566**	58,009
Net assets	**941,382**	1,185,701
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**119,975**	119,975
Reserves	**821,407**	1,065,726
Total equity	**941,382**	1,185,701

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, 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 and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, amendments to HKAS 28, and *Annual Improvements to HKFRSs 2015–2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) *HK$'000*
Assets	
Increase in right-of-use assets	3,679
Decrease in prepayments, other receivables and other assets	(335)
Increase in total assets	3,344
Liabilities	
Increase in lease liabilities	3,344
Increase in total liabilities	3,344

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	HK$'000
Operating lease commitments as at 31 December 2018	24,065
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	19,600
	4,465
Weighted average incremental borrowing rate as at 1 January 2019	5.46%
Lease liabilities as at 1 January 2019	3,344

(b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation did not have any impact on the financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

The Group is primarily engaged in provision of software development, system integration and information products distribution. 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

	2019	2018
	HK$'000	*HK$'000*
Mainland China	**1,055,222**	1,054,219
Hong Kong	**2,933**	3,246
Others	**269**	1,392
	1,058,424	1,058,857

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

(b) Non-current assets

	2019	2018
	HK$'000	*HK$'000*
Mainland China	**256,379**	263,351
Hong Kong	**216,892**	221,111
Others	**2,653**	2,594
	475,924	487,056

The non-current asset information above is based on the locations of the assets and excludes financial instruments, deferred tax assets 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 (2018: Nil).

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers	**1,053,829**	1,055,113
Revenue from other sources		
Rental income from investment property operating leases:		
Lease payments, including fixed payments	**4,595**	3,744
	1,058,424	1,058,857

Revenue from contracts with customers

(i) ***Disaggregated revenue information***

For the year ended 31 December 2019	**Total**
	HK$'000
Type of goods or services	
Sale of information products and software	**853,424**
Sale of software development and system integration service	**200,405**
Total revenue from contracts with customers	**1,053,829**
Geographical markets	
Mainland China	**1,053,560**
Others	**269**
Total revenue from contracts with customers	**1,053,829**
Timing of revenue recognition	
Goods transferred at a point in time	**853,424**
Services transferred over time	**200,405**
Total revenue from contracts with customers	**1,053,829**

For the year ended 31 December 2018	Total *HK$'000*
Type of goods or services	
Sale of information products and software	800,663
Sale of software development and system integration service	254,450
Total revenue from contracts with customers	1,055,113
Geographical markets	
Mainland China	1,053,721
Others	1,392
Total revenue from contracts with customers	1,055,113
Timing of revenue recognition	
Goods transferred at a point in time	800,663
Services transferred over time	254,450
Total revenue from contracts with customers	1,055,113

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 and recognised from performance obligations satisfied in previous periods:

	2019 ***HK$'000***	2018 *HK$'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of information products and software	**43,008**	72,120
Sale of software development and system integration service	**13,252**	12,193
	56,260	84,313

(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.

Software development and system integration services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 90 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:

	2019	2018
	HK$'000	*HK$'000*
Amounts expected to be recognised as revenue:		
Within one year	**260,070**	237,637
After one year	**9,023**	30,382
	269,093	268,019

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to software development and system integration services, of which the performance obligations are to be satisfied within three years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

	2019	2018
	HK$'000	*HK$'000*
Other income		
Bank interest income	**6,315**	6,124
Other interest income	**26,253**	25,138
Government grants *(note)*	**55,360**	58,102
Others	**5,878**	12,813
	93,806	102,177
Gains		
Fair value gains on investment properties	**–**	2,595
Gain on disposal of items of property, plant and equipment	**609**	6
Gain on deregistration of a subsidiary	**–**	890
	609	3,491
	94,415	105,668

Note: Various government grants have been received for the sale of software approved by the PRC tax authority and the development of software in Mainland China. 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.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2019	2018
	HK$'000	*HK$'000*
Interest on lease liabilities	**144**	–
Interest on bank borrowings	**9,394**	7,882
	9,538	7,882

6. (LOSS)/PROFIT BEFORE TAX

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

	2019	2018
	HK$'000	*HK$'000*
Cost of inventories sold**	**358,111**	370,985
Cost of services provided**	**96,785**	92,401
Depreciation of property, plant and equipment	**19,158**	17,878
Depreciation of right-of-use assets	**2,209**	–
Minimum lease payments under operating leases	**–**	16,751
Lease payments not included in the measurement of lease liabilities	**20,615**	–
Impairment/(reversal of impairment) of trade receivables and contract assets*	**9,236**	(1,319)
Impairment/(reversal of impairment) of other receivables*	**436,580**	(575)
Loss on write-off of inventories*	**1,434**	2,024
Provision for obsolete inventories**	**2,383**	4,690
Research and development costs:		
Current year expenditure*	**163,452**	176,773
Foreign exchange differences, net*	**4,024**	7,635
Fair value losses on financial assets at fair value through profit or loss*	**240**	1,475
Fair value losses on investment properties*	**4,985**	–

* 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.

7. INCOME TAX

	2019	2018
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**–**	596
Current – Mainland China		
Charge for the year	**6,496**	4,904
(Overprovision)/underprovision in prior years	**(2,109)**	1,613
Deferred	**(115,126)**	(6,147)
Total tax (credit)/charge for the year	**(110,739)**	966

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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 2019 and 2018.

Taxes on profits assessable in Mainland China 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 10% or 15%.

The share of tax attributable to associates amounting to negative HK$29,000 (2018: HK$42,000) is included in "Share of profits/(losses) of associates" in the consolidated statement of profit or loss.

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

The calculation of the basic loss/earnings per share amount is based on the loss/earnings for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,199,746,993 (2018: 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 2019 and 2018.

9. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. 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.

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

	2019	2018
	HK$'000	*HK$'000*
Within 6 months	**140,853**	111,440
7 to 12 months	**12,878**	10,476
13 to 24 months	**12,153**	7,492
Over 24 months	**12,135**	10,292
	178,019	139,700

10. TRADE AND BILLS PAYABLES

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

	2019	2018
	HK$'000	*HK$'000*
Within 6 months	**53,503**	62,275
7 to 12 months	**1,866**	1,201
13 to 24 months	**1,649**	882
Over 24 months	**5,022**	5,629
	62,040	69,987

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

DIVIDEND

No interim dividend was paid during the year and previous year. The Board does not recommend the payment of any final dividend for the year (2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE

The Group reported a loss attributable to equity holders of the parent for the year ended 31 December 2019 of approximately HK$238.8 million (year ended 31 December 2018: profit of HK$87.3 million). The Group's turnover for the current year was maintained at approximately HK$1,058.4 million (year ended 31 December 2018: HK$1,058.9 million). Gross profit for the current year increased slightly by 1.1% to HK$521.6 million compared with last year's HK$516.1 million. Gross profit ratio increased from 48.7% for the last year to 49.3% for the current year as a result of increase in proportion of sales of software and technical services with higher gross profit margin.

The loss attributable to the equity holders of the parent for the year was mainly the net results of:

a. impairment of entrusted loan receivables of approximately HK$436.1 million (year ended 31 December 2018: Nil) mainly due to default in entrusted loans to 北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder"), a substantial shareholder of the Company. Details of the default were set out in the announcement of the Company dated 2 March 2020;

b. an increase in the gross profit by 1.1% to HK$521.6 million (year ended 31 December 2018: HK$516.1 million) as a result of increase in proportion of sales of software and technical services;

c. a decrease in other income and gains by 10.6% to HK$94.4 million (year ended 31 December 2018: HK$105.7 million) arising from decrease in fair value gains on investment properties;

d. a decrease in total selling and distribution expenses and administrative expense by 3.5% to HK$332.0 million (year ended 31 December 2018: HK$344.2 million) as a result of strict control on expense imposed by the management; and

e. an increase in tax credit by HK$111.7 million to HK$110.7 million (year ended 31 December 2018: tax charge of HK$1.0 million) as a result of deferred tax effect on impairment of entrusted loan receivables.

Basic and diluted loss per share attributable to equity holders of the parent for the year was HK19.9 cents (year ended 31 December 2018: earnings of HK7.3 cents).

OPERATING REVIEW AND PROSPECTS

Operating Review

Font Library Business

Against the backdrop that China is vigorously propelling cultural creative industries, the font library, as a Chinese culture carrier, has been receiving a wider recognition. The value of fonts has been recognized by more and more enterprises and the public. Meanwhile, with a gradual improvement in the copyright environment in China and increasingly intense competition in the industry, new font design companies and individual font designers came into the font library market one after another.

In 2019, hot topics regarding intellectual property emerged continuously. The "font fever" in the design industry gained wider popularity and the value of fonts has been recognized by more and more enterprises and the public.

1) Font library copyright aspect: We actively maintained the intellectual property rights of our font library by legal means, organized activities such as "The Foundertype Poster Exhibition (方正字庫海報設計邀請展)", "Tokyo TDC Selected Works + Font Design Forum (東京TDC選作展及字體設計論壇)" and participated in "The Third China Beijing International Language & Culture Expo (第三屆中國北京國際語言文化博覽會)" and "Beijing Excellent Copyright Project Promotion Conference (北京優秀版權項目推介會)" organized by Beijing Municipal Bureau of Copyright, through which we have made font design knowledge more popular in the whole society, attracted numerous young font designers and design lovers and conveyed the value of fonts.

2) Marketing and service aspect: We have stepped up our efforts in promoting positive publicity by establishing cooperation relationships with design companies and advertising companies and launching a new service model, i.e., the "Love-dynamic Font (心動字體)". We also continued to establish a comprehensive service system covering the official website of Founder font library, "Font +" mobile APP, and a PC client-end three-in-one "Font +". Moreover, we have successfully expanded the Founder population census font library solution which was widely adopted by various customers in industries such as banking, social security, taxation and education to solve problems regarding names of people and places which have characters that are rarely used.

3) Font design aspect: Founder launched 197 new font types and font libraries of collaborative manufacturers such as Monotype, TypeTogether and Production Type have been launched on both the official website of Founder font library and client-end "Font +", providing clients with complete font solutions that have abundant fonts and support more than 95% of the languages in the world. Customized fonts developed for clients such as vivo and JD.COM have been delivered to clients and put into use. We are now working on the supporting project for heritage and development of excellent Chinese tradition and culture named "Exquisite Chinese Font Library Project (中華精

品字庫工程)". Under the guidance of China Federation of Literary and Art Circles and State Language Commission, the "Chinese Culture in Calligraphy — Exquisite Chinese Font Library Project Exhibition (字載中華－中華精品字庫工程成果展)" was held at National Museum of China before the 70th National Day, which exhibited the first batch comprising a font library of 12 ancient calligraphers.

Printing Business

The printing industry has entered into a period of deep adjustment, during which over-capacity existed throughout the industry and hot topics such as developing in a more digitalised, intelligent and environmentally-friendly manner were emerging continuously. With deep understanding of this development trend of the industry, Founder EasiPrint continued to invest in the research and development of inkjet printing technology and smart production system so as to consolidate the market position of variable coding and enhance and expand the digital printing capability of government printing market by supporting domestic operation systems and upgrading two-color machines. It has also boosted CTP sales through establishment of electronic film system for People's Education Press and ensured the steady development of retail sales business by strengthening the cooperation with manufacturers. Under intense market competition, the business of Founder EasiPrint still maintains its continued stability.

In 2019, Founder printing on demand ("POD") project achieved further progress in the market. EagleJet P5600 high-speed revolving inkjet printing production line, which was officially launched at the International Printing Technology Exhibition in Guangdong (Dongguan) in April, has attracted widespread attention from the industry and a large number of all-in-one, special column and book printing enterprises have incorporated this inkjet printing equipment into their purchase plans. Founder EagleJet P4400 high-speed revolving inkjet printing production line for commercial printing sector was launched at the end of the year, which has further promoted the development of the industry. Meanwhile, we continued to improve the back-end system covering research and development, production, implementation and servicing, and achieved rapid development in terms of teambuilding. Founder Yunshu (方正雲舒) softwares, as an ancillary facility, have been deployed in major publishing press such as Higher Education Press.

The 2019 annual meeting of Hongyan POD Alliance (鴻雁POD聯盟) was held successfully, during which we signed contracts for POD projects with clients such as Guangzhou Dayang and increased our influence in the industry.

Media Business

The traditional media industry continued to be subdued. In particular, the revenue from advertising on newspaper dropped continuously, resulting in uncertainty over the trends of market demand. Meanwhile, the promotion of macroeconomic policies offers new market opportunities to media and publishing businesses. In January 2019, the CPC central committee made further strategic deployment to accelerate in-depth integration of traditional media and emerging media. It was proposed that the government will promote the vertical development of media integration with a view to establishing the "All Rounded Media in Four Aspects (四全媒體)", namely process, format, manpower and efficiency (全程媒體、全息媒體、全員媒體、全效媒體), thereby creating the layout of powerful media dissemination. The mainstream media nationwide implemented this strategic deployment in relation to vertical development of media integration proposed by the central government by accelerating the use of new technologies such as mobile network, cloud computing, big data and artificial intelligence, at the same time pushing forward the comprehensive integration of media "from addition to integration" and "from integrated media to smart media". In the meantime, the development of integrated media centers at province, district and county levels was making progress in an orderly manner, bringing both demand and opportunities for the development of provincial platforms for integrated media centers at district and county level, as well as self-developed platforms for certain integrated media centers at district and county level. The integrated development of the publishing industry has entered into a new stage, where the publishing industry re-built its production process to adapt to integrated publishing and re-constructed the organization model based on such integrated publishing procedure, thereby improving the quality and efficiency of publishing through the use of smart technology.

Under such conditions, we have achieved innovation in aspects of products, markets and business models on a continuous basis.

In respect of products, Founder Electronics launched "Media Cloud" (媒體雲) solution which adopted cloud structure technology and facilitated the building of a regional media cloud platform covering markets such as integrated media centers at district and county level in provincial and prefecture-level cities as well as new media for government and corporate affairs, thereby creating a new ecological environment for media integration. In the meantime, it also upgraded "Founder Solution for Hyper-integration of Media 2.0" by fully leveraging the new technologies such as mobile network, cloud computing, big data and artificial intelligence in an effort to help media building up an integrated media platform. "Founder Solution for Hyper-integration of Media 2.0" not only realized the integration of media businesses, management, users and data, but also realized the optimization of new mobile media platform and mobilization of core businesses by adhering to our strategy that take mobile media as priority. Meanwhile, the solution empowered media integration with the use of big data and artificial intelligence technologies, which facilitated the application, dissimilation and analysis of intelligence and big data under different scenarios, including planning, interview, compilation, edit, publishing and distribution. As for the publishing business, Founder Electronics has stepped up its efforts in the research and development of digital joint compilation system with strong emphasis on the research and development of technologies and products in relation to smart review, automatic typesetting and others. At the end of 2019, Founder smart review cloud service platform and automatic typesetting cloud service platform were officially launched where it has obtained a number of model customers. Meanwhile, the Company continued to increase the investment in the research and development of technologies and products in relation to knowledge service and launched "Founder Flying H5 (Digital Version) (方正飛翔H5（數字版）)"and upgraded the Founder Flying cloud service platform (方正飛翔雲服務平台).

In respect of markets, in addition to reinforcing the presence in inventory markets such as central and provincial newspapers, prefecture-level city newspaper and industry newspaper, we secured more leading companies as well as further expanded into the market of new mobile media and integrated media centers at district and county level, while actively expanding into markets such as radio and television, political and corporate news centers and overseas media. This year, we entered into contracts with "New Gangsu Cloud (新甘肅雲)" of Gangsu Daily, i.e. the provincial media cloud platform of Gansu Province, and various city-level media cloud platforms such as "Hangzhou Cloud (杭州雲)" of Hangzhou Daily, "Fuzhou Cloud (福州雲)" of Fuzhou Daily and "Longyan Cloud (龍岩雲)" of Longyan Propaganda Department in the integrated media market at district and county level. For corporate news centers, we entered into contracts with media center market such as Liaohe Oilfield. For radios and televisions, we have established cooperation with various platforms such as "China Blue Cloud (中國藍雲)" of Zhejiang Radio & TV, "Lichee Cloud (荔枝雲)" of Jiangsu Broadcasting Corporation and "Daxiang Merged Media (大象融媒)" of Henan Television. Four projects undertaken by Founder Electronics, including the "Integrated Media Platform of Guangzhou Daily" of Guangzhou Daily Newspaper Group, "Integrated Media Platform of News on Websites and Applications based on Big Data" of Yangcheng Evening News Group, "All-Rounded Media Command Center and Integrated Media Information Sharing Platform at County-Level" of Gangsu Daily and "Sinopec Newspaper Digitalised Media Platform" of Sinopec News, were awarded the First Prize of "2019 Wangxuan News Science and Technology Award (王選新聞科學技術獎)", which is the most prestigious award of media technology industry in the PRC. In addition, we also undertook the development of the client-end of numerous new mobile media APP in 2019, such as "Zhangzhong Shaanxi (掌中陝西)", "Guangzhou Daily (廣州日報)", "Young Pai (羊城派)", "Daily Sunshine (晶報)", "Xi'an Release (西安發布)", "Qinghai Daily (青海日報)", "Macao Daily (澳門日報)", "Xinhandan (新邯鄲)" and "Instant (馬上)". On 20 December 2019, which is the eve of the 20th anniversary of Macao's return to China, we have completed the comprehensive upgrade and transformation of the integrated media platform of Macao Daily, and launched a new client-end of "Macao Daily (澳門日報)" APP.

As for business models, we actively promoted the transformation from software solution towards authorization service, SAAS service, software service and data service. The percentage of contracts in relation to the service-oriented business accounted for 32%, among which contracts in relation to authorization service and SAAS service business accounted for 24%, of the newly signed contracts during the year.

PROSPECTS

The outbreak of Coronavirus Disease 2019 ("COVID-19") had a significant adverse impact on the global economy and consumer confidence. Amid the aforesaid economic uncertainties, the Group will continue to adopt a prudent approach to run its business operations. 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 2019, the number of employees of the Group was 1,260 (31 December 2018: 1,230).

FINANCIAL REVIEW

Liquidity, financial resources and capital commitments

During the year, the Group generally financed its operations with internally generated resources and banking facilities provided by its principal bankers in Hong Kong and the PRC. As at 31 December 2019, the Group had interest-bearing bank borrowings of approximately HK$107.1 million (31 December 2018: HK$160.9 million), of which HK$107.1 million (31 December 2018: HK$120.9 million) were fixed interest bearing and Nil (31 December 2018: HK$40.0 million) were floating interest bearing. The bank borrowings were denominated in Hong Kong Dollars ("HKD") and Renminbi ("RMB"), and were repayable within one year. The Group's banking facilities were secured by corporate guarantees given by the Company, Peking Founder, certain of the Group's investment properties and bank deposits.

As at 31 December 2019, the Group recorded total assets of HK$1,509.1 million which were financed by liabilities of HK$567.8 million and equity of HK$941.3 million. The Group's net asset value per share as at 31 December 2019 amounted to HK$0.78 (31 December 2018: HK$0.99). The decrease in net asset value per share was due to loss during the year.

The Group had total cash and bank balances of HK$568.1 million as at 31 December 2019 (31 December 2018: HK$561.1 million). After deducting total bank borrowings of HK$107.1 million (31 December 2018: HK$160.9 million), the Group recorded net cash and bank balances of HK$461.0 million as at 31 December 2019 as compared to HK$400.2 million as at 31 December 2018. The Group's borrowings, which are subject to little seasonality, consist of mainly short term bank loans and trust receipt loans. As at 31 December 2019, the Group's gearing ratio, measured by the ratio of total borrowings to total shareholders' equity, was 0.11 (31 December 2018: 0.14) while the Group's working capital ratio was 1.78 (31 December 2018: 2.31). The decline in working capital ratio was due to impairment of entrusted loan receivables during the year. The decrease in prepayments, other receivables and other assets by 83.4% to HK$78.5 million (31 December 2018: HK$472.6 million) was due to impairment of entrusted loan receivables during the year. The increase in other payables and accruals by 3.6% to HK$255.1 million (31 December 2018: HK$246.1 million) was due to increase in accrual of subcontracting fee of system integration contracts.

As at 31 December 2019, 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 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 2019, the major contracts in hand amounted to approximately HK$323.7 million (31 December 2018: HK$339.4 million), which are all expected to be completed within one year.

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 year ended 31 December 2019.

Charges on assets

As at 31 December 2019, the Group's investment properties in Hong Kong of approximately HK$76.3 million and bank deposits of approximately HK$14.2 million were pledged to banks to secure banking facilities granted.

Future plans for material investments or capital assets

The Group did not have any concrete future plans for material investments or capital assets as at 31 December 2019. 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 long term.

Contingent liabilities

At 31 December 2019, the Group did not have any significant contingent liabilities.

Events after the reporting period

(a) Assessment of the Impact of the Coronavirus Disease 2019

Since the outbreak of COVID-19 in January 2020, the prevention and control of the COVID-19 has been going on throughout the country. The Group will earnestly implement the requirements of the Notice on Further Strengthening Financial Support for Prevention and Control of COVID-19, which was issued by the People's Bank of China, the Ministry of Finance, the CBIRC, the China Securities Regulatory Commission and State Administration of Foreign Exchange, and strengthen financial support for the epidemic prevention and control.

The COVID-19 has certain impacts on the business operation of the Group. The degree of the impact depends on the situation of the epidemic preventive measures, the duration of the epidemic and the implementation of regulatory policies.

The Group will keep continuous attention on the situation of the COVID-19, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of this announcement, the assessment is still in progress.

(b) Judicial Restructuring of Peking Founder

In February 2020, Bank of Beijing Co., Ltd. applied to the First Intermediate People's Court of Beijing (the "Court") to initiate judicial restructuring of Peking Founder on the grounds that Peking Founder was unable to repay its debt and obviously lacked the ability of repayment. The Court accepted 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. Peking Founder's liquidation team consists of, among others, the People's Bank of China, the Ministry of Education of the People's Republic of China, relevant financial regulators and relevant departments of Beijing Municipal Government.

After considering the operating and financial position of Peking Founder, the entrusted loan receivable in the principal amount of RMB370 million and the related interest amount of RMB5,591,000 (the "Outstanding Entrusted Loan") was declared due by the Company. A full provision for the Outstanding Entrusted Loan has been made in the year ended 31 December 2019.

The Company confirmed that the incident mentioned above currently has no material adverse impact on the Company's operation and the Company currently maintains a healthy financial position with sufficient cash for its operation on hand. The Company is independent from Peking Founder in respect of business, personnel, assets, institutions and finance. As of the date of this announcement, the production, operation and management of the Company are normal and stable. However, the restructuring of Peking Founder may have impact on the shareholding structure of the Company.

Save as disclosed above, there are no significant subsequent events after the end of reporting period.

AUDIT COMMITTEE

The Audit Committee of the Board has reviewed the accounting policies, accounting standards and practices adopted by the Group and the consolidated financial statements and results of the Group for the year ended 31 December 2019.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has fully complied with all the code provisions as set out in 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 year ended 31 December 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the Company's code of conduct and rules governing dealings by all directors in the securities of the Company. 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 2019.

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.

SCOPE OF WORK OF ERNST & YOUNG ON THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2019 have been agreed by the Group's auditors, Ernst &Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

The 2019 annual 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.founder.com.hk) in due course.

By Order of the Board
Founder Holdings Limited
Cheung Shuen Lung
Chairman

Hong Kong, 30 March 2020

As at the date of this announcement, the Board comprises executive directors of Mr Cheung Shuen Lung (Chairman), Mr Shao Xing (President), Professor Xiao Jian Guo, Ms Zuo Jin, Mr Hu Bin 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*