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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 2021

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 2021, together with the comparative figures for the corresponding period in 2020. The condensed consolidated interim financial statements have not been audited, but have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		For the six months ended 30 June	
		2021	2020
	<i>Notes</i>	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
REVENUE	3	454,747	290,606
Cost of sales		(247,244)	(157,880)
Gross profit		207,503	132,726
Other income and gains	4	27,104	21,912
Selling and distribution expenses		(118,055)	(82,277)
Administrative expenses		(35,024)	(34,741)
Other expenses, net		(95,227)	(65,427)
Finance costs	5	(49)	(1,406)
Share of profits of associates		75	73
LOSS BEFORE TAX	6	(13,673)	(29,140)
Income tax (expense)/credit	7	(2,863)	1,941
LOSS FOR THE PERIOD		(16,536)	(27,199)
Attributable to:			
Owners of the parent		(16,536)	(27,199)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted	8	HK(1.38) cents	HK(2.27) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	<u>(16,536)</u>	<u>(27,199)</u>
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income of associates	38	221
Exchange differences on translation of foreign operations	<u>5,320</u>	<u>(7,571)</u>
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	<u>5,358</u>	<u>(7,350)</u>
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	<u>118</u>	<u>5,412</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>118</u>	<u>5,412</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>5,476</u>	<u>(1,938)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u><u>(11,060)</u></u>	<u><u>(29,137)</u></u>
Attributable to:		
Owners of the parent	<u><u>(11,060)</u></u>	<u><u>(29,137)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	<i>Notes</i>	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		331,843	336,072
Investment properties		142,997	142,923
Right-of-use assets		2,114	2,550
Investment in associates		3,224	3,111
Equity investments at fair value through other comprehensive income		1,972	1,902
Intangible assets		–	–
Deferred tax assets		125,429	125,038
Pledged deposit		2,923	3,188
		610,502	614,784
Total non-current assets			
CURRENT ASSETS			
Inventories		115,717	75,400
Trade and bills receivables	9	184,904	199,897
Contract assets		14,180	16,317
Prepayments, other receivables and other assets		82,725	59,902
Financial assets at fair value through profit or loss		770	387
Structured deposits		–	178,359
Cash and cash equivalents		458,206	363,785
Pledged deposits		4,331	6,777
		860,833	900,824
Total current assets			
CURRENT LIABILITIES			
Trade and bills payables	10	61,372	67,950
Contract liabilities		101,230	69,116
Other payables and accruals		207,536	264,549
Lease liabilities		1,489	1,724
Tax payable		3,846	4,785
		375,473	408,124
Total current liabilities			
NET CURRENT ASSETS		485,360	492,700
TOTAL ASSETS LESS CURRENT LIABILITIES		1,095,862	1,107,484

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
NON-CURRENT LIABILITIES		
Lease liabilities	338	438
Deferred tax liabilities	60,334	60,796
	<hr/>	<hr/>
Total non-current liabilities	60,672	61,234
	<hr/>	<hr/>
Net assets	1,035,190	1,046,250
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	119,975	119,975
Reserves	915,215	926,275
	<hr/>	<hr/>
Total equity	1,035,190	1,046,250
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NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2021

1. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all HKFRSs, HKASs and Interpretations).

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised HKFRSs for the first time for the current period’s financial information.

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16
Amendment to HKFRS 16

Interest Rate Benchmark Reform – Phase 2

*Covid-19-Related Rent Concessions beyond 30 June 2021
(early adopted)*

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had no interest-bearing bank or other borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and the London Interbank Offered Rate (“LIBOR”) as at 30 June 2021.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months (the “2021 Amendment”). Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the period ended 30 June 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the COVID-19 pandemic. No such rent concession granted by the lessor occurs for the period ended 30 June 2021.

3. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<i>Revenue from contracts with customers</i>		
Software development, system integration and information product distribution	452,167	288,120
<i>Revenue from other sources</i>		
Gross rental income	2,580	2,486
	454,747	290,606

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Type of goods or services		
Sale of information products and software	449,469	267,809
Sale of software development and system integration service	2,698	20,311
Total revenue from contracts with customers	<u>452,167</u>	<u>288,120</u>
Geographical markets		
Mainland China	452,167	288,043
Others	–	77
Total revenue from contracts with customers	<u>452,167</u>	<u>288,120</u>
Timing of revenue recognition		
Goods transferred at a point in time	449,469	267,809
Services transferred over time	2,698	20,311
Total revenue from contracts with customers	<u>452,167</u>	<u>288,120</u>

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

4. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Bank interest income	2,415	4,737
Other interest income	–	329
Government grants	18,490	13,792
Fair value gains on structured deposits	1,046	–
Gain on disposal of items of property, plant and equipment	25	20
Foreign exchange differences, net	4,350	–
Others	778	3,034
	<u>27,104</u>	<u>21,912</u>

5. FINANCE COSTS

	For the six months ended 30 June	
	2021	2020
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest on lease liabilities	49	64
Interest on bank borrowings	–	1,342
	49	1,406
	49	1,406

6. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2021	2020
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Cost of inventories sold**	171,778	85,793
Cost of services provided**	71,079	62,455
Depreciation of properties, plant and equipment	10,012	9,471
Depreciation of right-of-use assets	1,213	1,497
Impairment of trade receivables*	2,320	994
Impairment/(reversal of impairment) of other receivables*	155	(7,417)
Impairment of contract assets*	1,037	77
Loss on write-off of inventories*	1,511	2
Fair value loss/(gains) on equity investment at fair value through profit or loss*	32	(428)
Provision for obsolete inventories**	4,387	9,632
Foreign exchange differences, net	(4,350)	1,988
Research and development costs: Current period expenditure*	84,737	64,167
	84,737	64,167
	84,737	64,167

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

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

7. INCOME TAX

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the period	78	104
Current – Mainland China		
Charge for the period	–	1,018
Underprovision/(overprovision) in prior year	3,042	(521)
Deferred	(257)	(2,542)
	<hr/>	<hr/>
Total tax charged/(credit) for the period	2,863	(1,941)
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2020: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

PRC corporate income tax represents the tax charged on the estimated assessable profits arising in Mainland China. In general, the PRC subsidiaries of the Group are subject to the PRC corporate income tax rate of 25% except for two PRC subsidiaries which are 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.

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

The calculation of basic loss per share amounts is based on the unaudited loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of approximately 1,199,747,000 (six months ended 30 June 2020: 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 2021 and 2020.

9. TRADE AND BILLS RECEIVABLES

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

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

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Within 6 months	123,901	168,172
7 to 12 months	46,869	11,718
13 to 24 months	12,085	16,294
Over 24 months	2,049	3,713
	<u>184,904</u>	<u>199,897</u>

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\$609,000 as at 31 December 2020, which are repayable on similar credit terms to those offered to the major customers of the Group.

10. TRADE AND BILLS PAYABLES

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

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Within 6 months	49,905	61,281
7 to 12 months	5,336	994
13 to 24 months	1,744	1,694
Over 24 months	4,387	3,981
	<u>61,372</u>	<u>67,950</u>

Included in the Group's trade and bills payables are amounts due to subsidiaries of Peking Founder of approximately HK\$457,000 (31 December 2020: HK\$1,327,000), 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 2021 (six months ended 30 June 2020: 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 2021 of approximately HK\$16.5 million (six months ended 30 June 2020: HK\$27.2 million). The Group's turnover for the current interim period increased by 56.5% to approximately HK\$454.7 million (six months ended 30 June 2020: HK\$290.6 million) as the disruption caused by COVID-19 began to alleviate. Gross profit for the current interim period increased by 56.3% to approximately HK\$207.5 million (six months ended 30 June 2020: HK\$132.7 million). Gross profit ratio was maintained at approximately 45.6%.

The loss attributable to the equity holders of the parent for the six months ended 30 June 2021 was mainly the net results of:

- a. an increase in the gross profit by 56.3% to approximately HK\$207.5 million (six months ended 30 June 2020: HK\$132.7 million);
- b. an increase in other income and gains by 23.7% to approximately HK\$27.1 million (six months ended 30 June 2020: HK\$21.9 million) attributable to the increase in government grants received for the sale of software approved by the PRC tax authority and the development of software in Mainland China as a result of increase in sales of software; and
- c. an increase in total selling and distribution expenses, administrative expenses and other expenses, net by 36.1% to approximately HK\$248.3 million (six months ended 30 June 2020: HK\$182.4 million) as a result of (i) the temporary reduction and exemption of enterprise's social insurance contributions granted for the six months ended 30 June 2020 has been cancelled; and (ii) the operating expenses increased with the increase in revenue during the period.

Basic and diluted loss per share attributable to equity holders of the parent for the six months ended 30 June 2021 was HK1.38 cents (six months ended 30 June 2020: HK2.27 cents).

OPERATING REVIEW AND PROSPECTS

Font Library Business

Against the backdrop that China is vigorously propelling cultural creative industries, the value of fonts has been recognized by more and more enterprises and the public. 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 the first half of 2021, in order to meet the ever-changing demand for fonts across all sectors of society and to cope with fierce domestic and overseas competition, Founder font library has made a number of attempts in terms of marketing methods:

- 1) Font design: In the first half of 2021, the digitalization of classic calligraphy from different dynasties continued to be our priority in font design. 北大方正電子有限公司 (Beijing Founder Electronics Co., Ltd*) (“Founder Electronics”), the wholly-owned subsidiary of the Company, launched 20 exquisite Chinese font libraries, including the “Oracle Bone Font Library (甲骨文字庫)”, “Ode to Shimen Clerical Script Font (石門頌隸書)”, “Wang Xianzhi-style Small Regular Script Font (王獻之小楷)”, “Sun Guoting-style Cursive Script Font (孫過庭草書)” and “Mi Fu-style Semi-cursive Script Font (米芾行書)”. At the same time, we cooperated with the prominent Japanese company Hakusyu Fonts to introduce 6 creative handwriting fonts. Based on our analysis of industry trends, we released several high-quality fonts as our key products, which included the “Huathink Classic Song-style Font (華思經宋)”, “Woodblock Printing Song-style Font (雕版宋)” and “Hongchang-style Regular Script Font (鴻昌楷書)”. In the first half of 2021, we added a total of 282 Chinese fonts to our product portfolio.

Furthermore, as enterprises increasingly recognized the importance of exclusive fonts in brand promotion, our customized font business continued to grow. In the first half of 2021, the font customization team of Founder font library brought out customised fonts for well-known customers in a wide range of industries, which included Taobao (for its LOGO font), the One Foundation, Meituan, Shenzhen Graphic Design Association (GDC Award) and Yiche etc.

- 2) **Font design technology:** To ensure font quality and improve design efficiency, we continued to promote the use of artificial intelligence-aided font design technology in our major design works, such as the “Exquisite Chinese Font Library Project (中華精品字庫工程)” and other font customization projects. Keeping pace with the global technology trend, we further strengthened the research and application of variable font technology and rolled out the section for variable fonts at our official website, which fully demonstrated the superior technology, aesthetic appeal and application value of Founder’s variable fonts. As of June 2021, we introduced a total of 50 variable fonts in different styles, including the “Founder Variable Relax Gothic Font (方正可變悠黑)”, “Founder Variable Rounded Gothic Font (方正可變啾黑)”, “Founder Elegant Song-style Regular Script Font (方正風雅楷宋)” and “Founder Variable Dancing Font (方正可變勁舞體)”.
- 3) **Marketing and service:** On the basis of consolidating and expanding the cooperation with major corporate clients, Founder Electronics continued to scale up targeted marketing and increased collaboration with design companies and advertising firms. With a focus on designers and micro, small and medium-sized enterprises, Founder offered the “Love-dynamic Authorization Model (心動授權模式)” for design projects on the “Font + (字加)” website. Under this model, designers were allowed to use 385 selected fonts freely at a price as low as RMB500 per design project. In addition, we continued to push forward the development of the comprehensive three-in-one service system comprising the official website of Founder font library, “Font + (字加)” mobile APP and “Font +” PC client end.
- 4) **Promotion:** On the famous CCTV show “National Treasure (國家寶藏)”, our font designer appeared as the “guardian of national treasure” and played a significant role in popularizing and disseminating the “Exquisite Chinese Font Library Project (中華精品字庫工程)” and Founder font library to the general public. In view of the rise of short-form videos, Founder font library started to operate and promote its video channel. We also actively supported advertising through online streaming. In the first half of 2021, we held 6 live and rebroadcast events on Bilibili and the video channel of Founder font library. Combining offline and online means, we successfully organized the press conference for the second stage 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)”, where hundreds of thousands of viewers joined our annual celebration.

The above measures not only enhanced the professional brand image and industry-leading position of Founder font library, but also raised the public awareness of our young and international image. The increasing recognition and appreciation for Founder font library and Founder brand will lay a solid foundation for our future innovation and development.

Printing Business

The year 2021 marks the beginning of China's "14th Five-year" Plan. Under this plan, the competent authority of the printing industry expressly proposes the strategy to support printing brands. The government's focus on building renowned brands of printing products and enterprises with proprietary intellectual properties, core competitiveness and market appeal includes companies that offer printing equipment and technical services as well. Being the technology leader in China's inkjet printing development, 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, concentrates on enhancing technology research and development, while driving the digitalization and transformation of the printing industry towards high-speed inkjet technology. This allows it to stay ahead of industry peers.

- 1) **Market:** Following its emergence in 2019, the high-speed inkjet market maintained its solid growth despite the COVID-19 pandemic in 2020. The number of installed inkjet printing equipment in 2020 nearly doubled from 2019. In particular, the new Founder EagleJet P4400 black and white/two-colour inkjet printers swept the commercial printing segment. In the fourth quarter of 2020, Founder EasiPrint introduced the Founder EagleJet Colour Inkjet P6600 series. This model supports three printing widths of 440 mm, 560 mm and 660 mm in one to six colours, which can be chosen and combined freely by users to meet the requirements of diverse types of colour-print products for commercial, publishing and high-speed printing purposes. In less than a year of its launch, the product was widely accepted and adopted by the market.
- 2) **Product research and development:** In the first half of 2021, Founder EasiPrint consolidated its leading position in printing software and concluded the research and development of the Alpha and Beta version of the cloud printing platform. With the ongoing expansion of Founder Yunshu Platform in the publishing market, product orders are expected to grow in the second half of 2021. In terms of hardware development, the core technology team has committed itself to developing high-resolution rotary colour inkjet printers and more compact small-sized digital inkjet printers. Breakthroughs were also achieved in high-speed variable data printing products, which are planned to be launched in the second half of the year. At the same time, Founder EasiPrint is cooperating with its manufacturing partners to promote innovation in post-press finishing equipment, so that the technology ecosystem for digital printing can grow and thrive.

- 3) Marketing: With the pandemic's effects on society fading in 2021, Founder EasiPrint organized the "EagleJet Goddess (築鷹女神)" online audition for inkjet printing workers and attracted a record-breaking number of views and likes on TikTok. The campaign provided a stage for the powerful women in the printing industry and went viral. In June 2021, the 10th Beijing International Printing Technology Exhibition was held in the New Hall of China International Exhibition Center in Beijing. The event featured several star products of Founder EagleJet, which included the P series inkjet printers, variable data inkjet coding equipment and management software for intelligent production. During the exhibition, the release of three new software and hardware products, namely the Founder EagleJet P6600C HD colour inkjet printer, Founder EagleJet VS3000 variable data inject coding equipment and Founder Youxiang Centralized Printing System (方正優享集中印務系統), gained wide attention of visitors and industry media. In the second half of the year, it is expected that the activities of BIBF and the activities of the Founder Feast will remain at the centre of the spotlight in the industry.

Media Business

On 25 January 2019, General Secretary Xi Jinping proposed the target of building an "all-rounded media communication system" as the macro-policy on media integration when he was hosting the 12th study seminar of the Political Bureau of the CPC Central Committee. Previously, General Secretary Xi Jinping had also set out the requirements to "establish an all-rounded media communication framework" in his congratulation letter for the 70th anniversary of People's Daily on 15 June 2018. In September 2020, the central government issued the "Opinion on Accelerating In-depth Integration and Development of Media (關於加快推進媒體深度融合發展的意見)". The Opinion specified the three overall requirements of in-depth media integration and development in terms of its significance, target and mission and working principle. It planned to drive integration and development by advanced technology, while making full use of achievements from the IT revolution including 5G, big data, cloud computing, Internet of Things, blockchain and artificial intelligence. Additionally, it suggested enhancing the prospective research and application of new technology in the news dissemination field and supporting the independent innovation of key and core technology. The Opinion aimed to push forward the in-depth reform on the mainstream media system and mechanism, so that an integrated organizational structure was established for all-rounded media to produce and disseminate content. The media was encouraged to develop new reporting and editorial procedures, so as to form an efficient and centralized content production and dissemination chain. By exploring and building the operating model of "News + Government affairs + Service + Business", new media shall develop new investment and financing policies to enhance competitiveness. On 3 November 2020, the "Central Government Proposal on the 14th Five-Year Plan and 2035 Long-term Objectives for National Economic and Social Development (中共中央關於制定國民經濟和社會發展第十四個五年規劃和二零三五年遠景目標的建議)" was released. The Proposal detailed the key strategy on in-depth media integration, all-rounded media dissemination and the

establishment of integrated media centres at the county level. Apart from advancing the in-depth integration of media, the government shall develop all-rounded media dissemination and strengthen new types of mainstream media. For all-rounded media dissemination, content creation shall be supported with state-of-the-art technology as well as reform and innovation measures to achieve centralized resources management, structure optimization, differential development and efficiency from synergy. In regard to the market landscape, it was predicted that traditional media and new media shall co-exist, with the Internet as the battlefield, new media as the frontline, and mobile media and videos becoming more popular. Structurally, the system will comprise four vertical levels ranging from central, provincial, municipal to county-level media, and horizontally cover mainstream media and business platforms. The notions of “all-rounded media dissemination framework”, “all-rounded media dissemination system” and “all-rounded media dissemination development” represent the major benchmark and focus of mainstream media in accelerating in-depth media integration and development. Central, provincial, prefecture-level and industry media (or corporate media), integrated media at high schools, and district or county-level integrated media centres shall continue to facilitate media integration and develop the integrated media and new media platform.

As to the integration of the publishing industry, the Ministry of Science and Technology, the Central Propaganda Department, the Cyberspace Administration, the Ministry of Finance, the Ministry of Culture and Tourism, and the National Radio and Television Administration jointly issued the “Guidance on Facilitating In-depth Integration between Culture and Technology (關於促進文化和科技深度融合的指導意見)” in August 2019, which requested to accelerate the in-depth integration between culture and technology. In May 2020, the Cultural Reform Office of the Central Propaganda Department also published the “Notice on Proper Establishment of National Culture Big Data System (關於做好國家文化大數據體系建設工作通知)”, which proposed a national culture big data system to be established as a key infrastructure for cultural development in the new era, and a major part in applying the outcomes of cultural digitization to develop network and intelligent technology. The Notice drove the establishment of the cultural big data cloud platform and cultural database in the publishing sector, which enabled the industry to further centralize the good quality resources, enhance the construction of the technology platform and expand boundaries for integration. In May 2021, the National Press and Publication Administration issued the “Notice on Organization and Implementation of Publishing Integration and Development Program (關於組織實施出版融合發展工程的通知)” and initiated the publishing integration and development program. The program aimed to encourage the digitalization strategies of the publishing industry and promote the in-depth integration and development between traditional publishing and emerging publishing in a systematic manner. Looking forward, the publishing sector will reshape its production procedures to adapt to integrated publishing, reform the organizational model based on such procedures, and improve publishing quality and efficiency through the use of smart technology.

1) *Products and solutions:*

For in-depth media integration: To better facilitate the application of mobile network, big data, artificial intelligence, 5G and other advanced and emerging technologies in in-depth integration and development of media, Founder Electronics launched the “Founder Solution for Hyper-integration of Media 3.0” after upgrade and optimization. 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. At the same time, it continuously improved the intelligence and video-oriented capabilities of various products, such as Founder all-rounded media interview and compilation and media cloud through a component-based research and development model with fast upgrades, so as to help with the development of smart media. “Founder Solution for Hyper-integration of Media 3.0” realized not only the integration of media businesses, management, users and data, but also the optimization of new mobile media platforms and mobilization of core content creation businesses by adhering to our strategy that takes mobile media as the priority. 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 for audios, videos and new media. It could help with the digitalization and intelligence of different application scenarios, including planning, interview, compilation, editing, publishing and distribution, through the data middle platform and AI middle platform.

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 products for joint compilation, smart review, automatic typesetting and others. In late 2020, Founder smart review cloud service platform V2.0 was launched, it released the integrated solution for smart editing, review and typesetting, and conducted the research and development of technologies and products for the cloud-based digital publishing resources management platform and the knowledge service. At the same time, it actively participated in the establishment of the national cultural big data system.

2) *Business model:*

We are committed to promoting the transformation from software solution towards authorization service, SAAS service, software service and data service. The proportion of contracts in relation to the service-oriented business accounted for 37%, among which contracts in relation to authorization service and SAAS service business accounted for 25% of the newly signed contracts in 2020. For the first half of 2021, we continued to drive the transformation of the authorization service, SAAS service, software service and data service.

3) *Marketing:*

We actively established model customers and projects in media integration and publishing integration and development: In the first half of 2021, Founder Electronics cooperated with new media clients in the media market in various provinces and provincial capitals, which included People's Daily, Science and Technology Daily, Gansu Daily, Anhui Daily, Fuzhou Daily, Shenyang Daily and Changchun Daily. In particular, it achieved fruitful success in working with new media. For example, it secured contracts with Fuzhou Daily APP, Changchun Media Cloud and Shenyang Press, while expanding the cooperation with project clients for media and integrated media platforms at the prefecture level. Apart from developing the inventory markets of central, provincial, prefecture-level and industry media, we capitalized on our technologies and products to tap into new inventory markets, including party journals, corporate news centres, integrated media centres at district and county levels, new media for government affairs and integrated media at high schools. For example, we joined hands with the Contemporary Party Member Press in Chongqing, the publisher of the Heilongjiang party journal Fendou, and the integrated media centres in Shishi and Pingtan Integrated Pilot Zone. As to the publishing market, Founder smart review cloud service platform was promoted to and adopted by over 1,000 domestic publishers and cultural and media companies. Among other major publishers, Higher Education Press entered the contract for annual authorization services. Besides, the new generation of Founder joint compilation system was used by clients such as China Electric Power Press. Our cloud-based publishing resources management platform was also applied by Phoenix Publishing and Media Group and Anhui Time Publishing and Media Group, while Founder new generation of the knowledge service platform was adopted by publishers such as China Finance & Economic Publishing House.

In regard to the journal market, Founder Electronics established the "Founder Cloud Service Platform for Academic Publishing" with its artificial intelligence, big data and Internet technology. As of now, over 300 journal publishers have migrated their XML-based digital content production to the digital publishing platform. As to journal publication and distribution, Founder Electronics entered into cooperation agreements with 7 clusters of academic journals, including Light Academic Publishing Centre, the journal cluster of Zhejiang University Press and that of China Association of Chinese Medicine. It also signed contracts for cooperation on the distribution platform with 63 individual journals, including the Journal of Remote Sensing. In November 2019, Founder Electronics won the bid for the "International Digital Publishing Service Platform Subproject-International Digital Production Platform for Science and Technology Journals under the China Science and Technology Journal Excellence Action Plan", which provided technical support and services for the digitalization and internationalization of science and technology journals. This demonstrated that the academic publishing cloud service platform of Founder Electronics has gained the high recognition of the national "China Science and Technology Journal Excellence Action Plan".

PROSPECTS

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

EMPLOYEES

The Group has developed its human resources policies and procedures based on performance and merit. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus systems. The Group provides on-the-job training to its employees in addition to retirement benefit schemes and medical insurance. The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible directors and employees of the Group who contribute to the success of the Group's operations. The Group had not granted any share options to its eligible directors and employees during the current interim period. As at 30 June 2021, the number of employees of the Group was approximately 1,250 (31 December 2020: 1,256).

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 2021, the Group had nil interest-bearing bank borrowings (31 December 2020: Nil).

As at 30 June 2021, the Group recorded total assets of HK\$1,471.3 million which were financed by liabilities of HK\$436.1 million and equity of HK\$1,035.2 million. The Group's net asset value per share as at 30 June 2021 amounted to HK\$0.86 (31 December 2020: HK\$0.87).

The Group had total cash and bank balances (including pledged deposits, structured deposits and cash and cash equivalents) of HK\$465.5 million as at 30 June 2021 (31 December 2020: HK\$552.1 million). As at 30 June 2021, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders' equity, was nil (31 December 2020: Nil) while the Group's working capital ratio was 2.29 (31 December 2020: 2.21). The increase in prepayments, other receivables and other assets by 38.1% to HK\$82.7 million (31 December 2020: HK\$59.9 million) was due to increase in prepayments arising from more purchase during the period. The decrease in other payables and accruals by 21.6% to HK\$207.5 million (31 December 2020: HK\$264.5 million) was due to payment of bonus during the current interim period.

As at 30 June 2021, the Group did not have any material capital expenditure commitments.

Treasury policies

The Group adopts conservative treasury policies and controls tightly over its cash and risk management. The Group's cash and cash equivalents are held mainly in Hong Kong Dollars ("HK\$"), Renminbi ("RMB") and United States Dollars ("U.S. dollars"). Surplus cash is generally placed in short term deposits denominated in HK\$, RMB and U.S. dollars.

Exposure to fluctuations in exchange rates and related hedges

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

Contracts

As at 30 June 2021, the major contracts for the software development and systems integration business amounted to approximately HK\$381.3 million (31 December 2020: HK\$283.5 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 acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2021.

Charges on assets

As at 30 June 2021, the Group's investment properties of approximately HK\$75.6 million and bank deposits of approximately HK\$7.3 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 2021. 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 2021, the Group did not have any significant contingent liabilities.

Event after the reporting period

On 5 July 2021, the Company received a notification letter from the administrator of Peking University Founder Group Company Limited, stating that a “written civil ruling” No. (2020)京01破13號之五 served by The First Intermediate People’s Court of Beijing (the “Court”) was received on the same day, in which ruled that the restructuring proposal of Peking University Founder Group Company Limited (“Peking Founder”) and four other companies including Peking University Founder Information Industry Group Co., Ltd., which is the direct controlling shareholder of the Company, Founder Industry Holdings Co., Ltd., Peking University Healthcare Industry Group Co., Ltd., and Peking University Resources Group Co., Ltd. (the “Five Companies including Peking Founder”) (the “Proposal”) was approved and the restructuring procedure was terminated. Therefore, the Proposal is in the phase of execution. Pursuant to the Proposal, among the equity assets, debt assets and other assets, of which the Five Companies including Peking Founder have the right to dispose, the majority will be used to set up a new company (the “New Founder Group”) and its subordinate business platform companies. The equity interest of New Founder Group will be transferred to the restructuring investors. The equity interest of the Company indirectly held by Peking Founder will be held directly or indirectly by the restructuring investors. According to the provisions of the Enterprise Bankruptcy Law of the People’s Republic of China, the Five Companies including Peking Founder as the debtors are responsible to implement the Proposal. Pursuant to the Proposal, the Five Companies including Peking Founder will complete the follow up work of the Proposal within 12 months from the date of approval of the Proposal by the Court. The transfer of the equity interest of the Company is subject to ongoing discussions as to how and when the steps will be implemented and the Company does not know the exact timing as to when such transfer will take place. The Company will continue to closely monitor subsequent developments in relation to the Proposal.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company’s listed securities during the six months ended 30 June 2021.

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 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUER

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

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group’s condensed consolidated interim financial statements for the six months ended 30 June 2021, including the accounting principles adopted by the Group, with the Company’s management.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The 2021 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.founder.com.hk) in due course.

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

Hong Kong, 30 August 2021

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), Professor Xiao Jian Guo, Ms Zuo Jin, Mr Hu Bin and Ms Liao Hang, and the independent non-executive directors of Mr Chan Chung Kik, Lewis, Mr Lau Ka Wing and Mr Lai Nga Ming, Edmund.

* *For identification purpose only*