

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2022

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 2022, together with the comparative figures for the corresponding period in 2021. 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 2022

		For the six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
REVENUE	3	323,193	454,747
Cost of sales		(169,181)	(247,244)
Gross profit		154,012	207,503
Other income and gains	4	20,749	27,104
Selling and distribution expenses		(110,336)	(118,055)
Administrative expenses		(40,189)	(35,024)
Other expenses, net		(88,739)	(95,227)
Finance costs	5	(165)	(49)
Share of (losses)/profits of associates		(31)	75
LOSS BEFORE TAX	6	(64,699)	(13,673)
Income tax credit/(expense)	7	1,627	(2,863)
LOSS FOR THE PERIOD		(63,072)	(16,536)
Attributable to:			
Owners of the parent		(63,072)	(16,536)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted	8	HK(5.26) cents	HK(1.38) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	<u>(63,072)</u>	<u>(16,536)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive (loss)/income of associates	(294)	38
Exchange differences on translation of foreign operations	<u>(28,354)</u>	<u>5,320</u>
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	<u>(28,648)</u>	<u>5,358</u>
Other comprehensive (loss)/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>(1,184)</u>	<u>118</u>
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	<u>(1,184)</u>	<u>118</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	<u>(29,832)</u>	<u>5,476</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u><u>(92,904)</u></u>	<u><u>(11,060)</u></u>
Attributable to:		
Owners of the parent	<u><u>(92,904)</u></u>	<u><u>(11,060)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

		30 June 2022	31 December 2021
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		290,625	309,469
Investment properties		146,637	146,969
Right-of-use assets		5,877	6,257
Investment in associates		2,678	3,003
Equity investments at fair value through other comprehensive income		439	1,667
Deferred tax assets		126,234	130,753
Pledged deposit		4,850	2,510
		<hr/>	<hr/>
Total non-current assets		577,340	600,628
CURRENT ASSETS			
Inventories		139,704	110,150
Trade and bills receivables	9	139,361	165,054
Contract assets		11,134	15,026
Prepayments, other receivables and other assets		75,128	71,014
Financial assets at fair value through profit or loss		1,035	1,194
Cash and cash equivalents		443,302	599,166
Pledged deposits		2,755	4,580
		<hr/>	<hr/>
Total current assets		812,419	966,184
CURRENT LIABILITIES			
Trade and bills payables	10	43,540	64,169
Contract liabilities		94,674	70,983
Other payables and accruals		189,655	273,510
Lease liabilities		3,366	4,261
Tax payable		4,380	4,511
		<hr/>	<hr/>
Total current liabilities		335,615	417,434
NET CURRENT ASSETS			
		476,804	548,750
TOTAL ASSETS LESS CURRENT LIABILITIES			
		1,054,144	1,149,378

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
NON-CURRENT LIABILITIES		
Lease liabilities	2,201	1,451
Deferred tax liabilities	51,444	54,524
	<hr/>	<hr/>
Total non-current liabilities	53,645	55,975
	<hr/>	<hr/>
Net assets	1,000,499	1,093,403
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	119,975	119,975
Reserves	880,524	973,428
	<hr/>	<hr/>
Total equity	1,000,499	1,093,403
	<hr/> <hr/>	<hr/> <hr/>

NOTES

30 June 2022

1. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2022 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 2021, 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 2021, except for the adoption of the following revised HKFRSs for the first time for the current period’s financial information.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018–2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

- (a) Amendments to HKFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK (IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK (IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

3. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<i>Revenue from contracts with customers</i>		
Software development, system integration and information product distribution	320,828	452,167
<i>Revenue from other sources</i>		
Gross rental income	2,365	2,580
	323,193	454,747

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2022	2021
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Type of goods or services		
Sale of information products and software	320,437	449,469
Sale of software development and system integration service	391	2,698
Total revenue from contracts with customers	<u>320,828</u>	<u>452,167</u>
Geographical markets		
Mainland China	320,828	452,167
Total revenue from contracts with customers	<u>320,828</u>	<u>452,167</u>
Timing of revenue recognition		
Goods transferred at a point in time	320,437	449,469
Services transferred over time	391	2,698
Total revenue from contracts with customers	<u>320,828</u>	<u>452,167</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	
	2022	2021
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Bank interest income	4,397	2,415
Government grants	14,634	18,490
Fair value gains on structured deposits	–	1,046
Gain on disposal of items of property, plant and equipment	31	25
Foreign exchange differences, net	–	4,350
Others	1,687	778
	<u>20,749</u>	<u>27,104</u>

5. FINANCE COSTS

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on lease liabilities	<u>165</u>	<u>49</u>

6. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold**	95,681	171,778
Cost of services provided**	61,714	71,079
Depreciation of properties, plant and equipment	9,680	10,012
Depreciation of right-of-use assets	1,783	1,213
Impairment of trade receivables*	5,346	2,320
(Reversal of impairment)/impairment of other receivables*	(112)	155
Reversal of impairment of entrusted loan*	(1,207)	–
Fair value gains on structured deposits*	–	(1,046)
Impairment of contract assets*	28	1,037
Loss on write-off of inventories*	507	1,511
Fair value loss on equity investment at fair value through profit or loss*	92	32
Provision for obsolete inventories**	11,786	4,387
Foreign exchange differences, net	4,062	(4,350)
Research and development costs:		
Current period expenditure*	<u>79,019</u>	<u>84,737</u>

* 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	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the period	35	78
Current – Mainland China		
Underprovision in prior year	3	3,042
Deferred	<u>(1,665)</u>	<u>(257)</u>
Total tax (credit)/charged for the period	<u><u>(1,627)</u></u>	<u><u>2,863</u></u>

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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 (2021: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

PRC corporate income tax represents the tax charged on the estimated assessable profits arising in Mainland China. In general, the PRC subsidiaries of the Group are subject to the PRC corporate income tax rate of 25% except for certain subsidiaries of the Group which are entitled to a preferential tax treatments of reduction in the CIT rate to 5% or 15%.

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

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

The calculation of basic loss per share amounts is based on the unaudited loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of approximately 1,199,747,000 (six months ended 30 June 2021: 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 2022 and 2021.

9. TRADE AND BILLS RECEIVABLES

	30 June	31 December
	2022	2021
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Trade receivables	170,785	190,509
Bills receivable	14,489	16,207
Impairment	<u>(45,913)</u>	<u>(41,662)</u>
	<u><u>139,361</u></u>	<u><u>165,054</u></u>

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

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

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Within 6 months	74,863	116,313
7 to 12 months	30,673	11,133
13 to 24 months	15,587	17,464
Over 24 months	3,749	3,937
	124,872	148,847

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, and its subsidiaries (collectively "Peking Founder Group") of nil as at 30 June 2022 (31 December 2021: HK\$201,000), 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 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Within 6 months	31,839	54,028
7 to 12 months	5,023	3,697
13 to 24 months	2,191	1,956
Over 24 months	4,487	4,488
	43,540	64,169

Included in the Group's trade and bills payables are amounts due to Peking Founder Group of approximately HK\$968,000 (31 December 2021: HK\$915,000), which are repayable on agreed terms similar to those offered by other third party suppliers.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: 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 2022 of approximately HK\$63.1 million (six months ended 30 June 2021: HK\$16.5 million). The Group's turnover for the current interim period decreased by 28.9% to approximately HK\$323.2 million (six months ended 30 June 2021: HK\$454.7 million) due to the temporary shutdown of certain factories, disruptions in logistics, delay in signing and performance of certain sales contracts, and reduction in the demand for font library, media and printing products under the impact of COVID-19 pandemic and the relevant restrictive measures during the six months ended 30 June 2022. Gross profit for the current interim period decreased by 25.8% to approximately HK\$154.0 million (six months ended 30 June 2021: HK\$207.5 million) due to the decline in revenue. Gross profit ratio was maintained at approximately 46% to 48%.

The loss attributable to the equity holders of the parent for the six months ended 30 June 2022 was mainly the net results of:

- a. a decrease in the gross profit by 25.8% to approximately HK\$154.0 million (six months ended 30 June 2021: HK\$207.5 million);
- b. a decrease in other income and gains by 23.6% to approximately HK\$20.7 million (six months ended 30 June 2021: HK\$27.1 million) attributable to the decrease 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 decrease in sales of software and decrease in foreign exchange gains; and
- c. a decrease in total selling and distribution expenses, administrative expenses and other expenses, net by 3.6% to approximately HK\$239.3 million (six months ended 30 June 2021: HK\$248.3 million) as a result of the decrease in operating expenses along with the decrease 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 2022 was HK5.26 cents (six months ended 30 June 2021: HK1.38 cents).

OPERATING REVIEW AND PROSPECTS

Font Library Business

In April 2022, an announcement is jointly published by National Press and Publication Administration, National Radio and Television Administration, requesting standardized use of Chinese characters and reject ugly fonts. Meanwhile, with increasingly intense competition in the industry, new font design companies and individual font designers came into the font library market one after another. In order to meet the ever-changing demand for fonts across all sectors of society and to cope with fierce domestic and overseas competition, Founder Font Library has made a number of attempts in terms of marketing methods:

- 1) Font design: Actively respond to the national initiative of “Standardizing the use of Chinese characters”, and take the development of classical calligraphy of past dynasties as a major focus. According to the planning, Wang Xizhi-style Semi-cursive Script Font (王羲之行書), Ouyang Xun-style Regular Script Font (歐陽詢楷書), Mao Gongding-style Golden Script Font (毛公鼎金文), Ma Wangdui-style Silk Script Font (馬王堆帛書), Propriety stele-style Clerical Script Font (禮器碑隸書), Ouyang Zhong-style Stone Semi-cursive Script Font (歐陽中石行書), etc., will be developed in “Exquisite Chinese Font Library Project (中華精品字庫工程)”. Based on our analysis of industry trends, we released several high-quality fonts with different style as our key products, which included the Yun fluid-style Font (雲流體), grassland-style Font (草原體), Suhei-style Font (速黑), Yashi Song family-style Font (雅士宋家族), Yue Song family-style Font of Qing Dynasty engraved version (清刻本悅宋家族), Xingkai family-style Font (行楷家族). In the first half of year 2022, we added a total of 187 Chinese fonts to our product portfolio.

Furthermore, the customized font service and font design capability of Founder Font Library have been recognized by more and more brands. In the first half of year 2022, the customized fonts created by Founder Font Library customization team for well-known clients in different fields, such as new media center of Xinhua news, abC art book exhibition, Midea Group, China Academy of Art, Alibaba Health Pharmacy, have been released successively.

- 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)”. Keeping pace with the global technology trend, we further strengthened the research of variable font technology and actively use variable font technology to meet the needs of high-end clients.

- 3) Marketing and service: On the basis of consolidating and expanding the cooperation with major corporate clients, we continued to scale up targeted marketing and increased collaboration with design companies and advertising firms. For uncommon words in the names of people or places, we continuously provided the “Founder Demographic Information Font Library Solution (方正人口信息字庫解決方案)” to financial and social security institutions. The promotion for “Font +” client has been strengthened, and member services have been launched for the designer group. 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: Due to the impact of the epidemic, the focus of promotion has shifted online, focusing on the promotion of new font products and customized fonts and actively planning the online live broadcasts. In the first half of 2022, we held 7 live and rebroadcast events on the video channel of Founder Font Library and Bilibili. Combining offline and online means, we successfully held “Founder Font Design Conference and the Award Ceremony of the 11th Founder Award Design Competition”, hundreds of thousands of viewers witnessed this annual event of the font design industry. Furthermore, we actively tried new forms of promotion, and successfully completed the linkage promotion with “Times with Plum Wine”, “Ramen Talk” and other online popular brands. In addition, our font design team actively participated in international well-known design competitions and won awards such as Tokyo TDC and New York TDC, which enhanced the influence of Founder Font Library in the field of international design.

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. This enabled Founder brand to lay a solid foundation for our future and long-term development.

Printing Business

The year 2022 marks the beginning year of the 20th National Congress of the Communist Party of China. The theme of the development of China’s printing industry is to focus on the 3 fields including exhibition platform, market players and digital empowerment, in order to implement the task requirements put forward in the “14th Five-year” Plan for the development of printing and distribution, promote the printing and distribution industry to implement new development concepts, build a new development pattern, so as to achieve high-quality development. The core of work of 北京方正印捷數碼技術有限公司 (Beijing Founder EasiPrint Digital Technical Co., Ltd*) (“Founder EasiPrint”), a wholly-owned subsidiary of the Company, closely revolves around the “Concept of market-oriented with digital empowerment”, uses digital technology to innovate the printing industry, and continues to lead the upgrading and substitution of ink-jet printing technology for traditional offset printing, and promotes the use of digital technology in publishing and commercial printing to upgrade and transform the production process and technique, so as to lay a solid foundation of business mode for network distribution, new book retailing combined with the Internet.

- 1) Sales: In the first half of year 2022, the various lockdowns and travel restrictions across the nation triggered by the epidemic in Shanghai has gravely affected the printing industry. A large number of printing enterprises have stopped their production, and a large number of upstream businesses from publishing, education and training institutions had also been lagged and delayed, which has greatly reduced the purchasing activities of printing enterprises, and also led to a significant decline in the sales of Founder's EagleJet series inkjet printers compared with the previous year. However, as the epidemic situation in Shanghai became relatively stable at the end of June, the lockdowns and travel restrictions were gradually relaxed. It is expected that the market environment will improve in the second half of the year, and the sales of equipment will gradually return to a healthy state.
- 2) Product research and development: In the first half of 2022, Founder EasiPrint continued to increase the investment in research and development for software and hardware around inkjet printing and digital ecology. After years of preparation, many new products have gradually completed their commercialization and been introduced to the market. Specifically, Founder EagleJet P6600c HD (1200DPI) Color HD Inkjet Rotary Printer has entered the user testing stage and is expected to be officially launched to the market in the third quarter. Founder EagleJet VS3000 High-speed Inkjet Printing System has completed stage of early user testing and officially launched into the market. Founder EagleJet S330 Single Sheet Fed Inkjet Printer is in the stage of intensive user testing and is expected to be launched and sold in the domestic market in the third quarter. At the same time, Founder Yunshu software has been launched in many large publishing units. Through the close connection of front and rear end software, such software is gradually building an integrated publishing and printing ecological network. Founder Changliu, Founder Changyin and other software will also complete the replacement of new versions in year 2022 to achieve higher performance and wider scope of application.
- 3) Marketing: Affected by the epidemic, large and medium-sized domestic cities were unable to hold offline market activities in the first half of the year. Therefore, a series of promotion activities were carried out through continuous online meetings, Tiktok publicity and other modes, aiming at the newly released new software and hardware products, including "Founder Changyi intelligent monitoring system" and Founder EagleJet S330 Single Sheet Fed Inkjet Printer. An online press announcement was held for market promotion, simultaneously on official account of WeChat, online video channel and Tiktok, which successfully attracted the attention of a large number of market players and media guests, and received tens of thousands of views. Founder EagleJet P6600C HD Color High-definition Inkjet Rotary Printer was pre-launched on official account of WeChat, and also received thousands of views and many consultations from potential customers.

Media Business

In terms of macro policy, focusing on media integration, in the first half of 2022, the Publicity Department of the CPC Central Committee, the Ministry of Finance and National Radio and Television Administration jointly issued the “Notice on the implementation of plan for promoting the development of in-depth integration of municipal level media” (《推進地市級媒體加快深度融合發展實施方案的通知》) (the “Notice”), selecting 60 pilot units for the construction of municipal integrated media centers across the country, relying on municipal level media units such as local newspapers and radio stations to carry out integration for pilot projects, and establishing municipal level integrated media centers. The Notice requires that the level of municipal integrated media is the important public position for CPC’s opinion and ruling resources, and play an irreplaceable role in disseminating the party’s voice, guiding and serving the people. We should focus on integrated development, take the Internet as the main platform, promote the intensive and digital transformation of the collection and editing process, optimize the allocation of collection and editing resources and forces, establish a new collection and editing platform with unified command and scheduling. It aims at the integration and application of multiple technologies, and the adaptation to multi-interface news production, so as to realize the one-time collection, multiple generation, and all media dissemination of news information. We should build a new communication platform, grasp the mobile trend, stick to local reality, build multiple communication channels, build a variety of platform terminals, develop a variety of communication forms, and form a distinctive, wide coverage, three-dimensional and rapid all-rounded media communication matrix. We should focus on client base establishment, optimize account layout, make full use of mobile communication technology, strengthen visible presentation, interactive communication, accurate pushing, and enhance immersive experience and user stickiness. We should also strengthen the support of advanced technology, utilize 5g, big data, cloud computing, artificial intelligence, blockchain and other new technologies, to strengthen the database infrastructure for content and user, and improve the ability of data collection, storage, management, analysis and application. To promote vertical media connectivity, provincial technology platforms should expand capacity and improve functions, in order to provide technical support and operation and maintenance services for municipal and county-level integrated media centers within the province, and promote the interconnection of the integrated development of provincial, city, municipal and county-level media. The relevant platforms of the municipal integrated media center are constructed with reference to the main technical standards of the provincial technical platform and the county-level integrated media center, so as to achieve compatibility and full connectivity, and form a healthy development pattern of connectivity and business collaboration at the provincial, city, municipal and county levels. The Notice will play an important role in promoting the deep integration of local and municipal media and the infrastructure of media technology platform.

As to the integration of the publishing industry, the National Press and Publication Administration issued “The development plan for the publishing industry during the 14th Five-year” plan (《出版業“十四五”時期發展規劃》) (the “Plan”) at the end of 2021, clarifying the guiding ideology, basic principles, objectives and requirements, key tasks and safeguard measures for the development of the publishing industry during the 14th Five-year plan period, and describing the development blueprint and work direction for the publishing industry. The Plan proposes to implement the digital strategy during the “14th Five-year” plan period of the publishing industry, strengthen the supporting and leading role of the new generation of information technology, guide publishing units to deepen understanding and systematic planning, effectively integrate various elements of resource, innovate publishing formats, communication methods and operation models, so as to promote the industry digitization and digital industrialization of the publishing industry, and vigorously improve the level of digitalization, digitization and intelligence of the industry. We will also promote the whole industry chain of publishing enabled by digital technology, supplement and strengthen the weakness in the digitalization of the publishing industry, and further promote the new publishing industry that integrated by traditional publishing and digital business. Highlight the important role of scientific and technological innovation in promoting the digital transformation and upgrading of the publishing industry and achieving deep integrated development, we vigorously promote the application of 5G, big data, cloud computing, artificial intelligence, blockchain, Internet of things, virtual reality and augmented reality in the publishing field. In the first half of 2022, the Publicity Department of the CPC Central Committee issued “The implementation opinions on promoting the deep integration and development of publishing”. The opinions focus on accelerating the deep integration and development of publishing, building a new publishing and communication system in the digital era, adhering to the general idea of combining systematic promotion with demonstration and guidance, and put forward 20 main measures from six aspects: strategic planning, content construction, technical support, key projects, talent team, and security system. It can make a comprehensive deployment and put forward clear requirements for the goals, directions, paths and measures of the integrated development of publishing in the future. These policies will greatly promote the digital transformation of the publishing industry and establish a new system of integrated content with collaborative production and dissemination.

- 1) Product and solution: 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” and constructed a new generation of “Founder Skylark Cloud Media Integration Platform” 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 and the construction of the technology platform of the “radio integration” municipal-level media center. “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, XML automatic typesetting and others. In late 2021, Founder Smart Review Cloud Service Platform V3.0 was launched. The new version of content production software Founder Flying V8.2 was also released to further enhance the competitiveness of Founder Electronics in the field of content production software. In the first half of 2022, a collaborative compilation platform based on SaaS service mode was developed and launched for the book publishing market to provide cloud services for small and medium-sized publishing enterprises; a new generation of data-driven submission and review system is developed and launched for the market of scientific and technological journals.

- 2) Business model: We are committed to actively promoting the transformation from software solution towards authorization service, SAAS service, software service and data service. In the first half of 2022, the proportion of contracts in relation to the service-oriented business accounted for 42%, representing 49% proportion of revenue, among which contracts in relation to authorization service and SAAS service business accounted for 34% of the newly signed contracts, representing 36% proportion of revenue. Founder Smart Review SaaS Cloud service have achieved more than 2,800 institutional users registered, including nearly 900 institutional users with fee chared; Xinkong Cloud Pan-media Integration Platform serves nearly 300 local media and industry media customers. Founder Intelligence New Media Big Data SaaS service serves more than 100 media customers. The business model has gradually changed from sale of product solution project to product solution and authorization, SaaS services, software services, data services and other collaborative business models.

- 3) Marketing: In the media market, on the basis of consolidating the central media, provincial and municipal media as well as industrial media markets, we increased the expansion to the pan-media markets such as government enterprises, colleges and universities. In the first half of 2022, Founder Electronics reached new cooperation with central-level, provincial-level and municipal-level media customers such as Xinhuanet, Shaanxi Daily Media Group, Yunnan Daily Newspaper Group, Ningxia Daily Newspaper Group, Shanghai Education Press Headquarters, Qingdao Daily Newspaper Group, etc. in the media market. At the same time, in the first half of 2022, new media construction projects, namely “Integration for newspaper and broadcast station” cooperated by Yinchuan News Media Center (Group), Hohhot Radio and Television Station, Handan News Media Center (Group) and other municipal-level integrated media centers were also carried out. These three clients are the pilot units of 60 municipal integrated media centers selected by the Publicity Department of the CPC Central Committee nationwide. In addition, the State Grid News, Xizang Minzu University, Minzu University of China, Hebei institute of Communications, Shenzhen Technician College* and other enterprise integrated media as well as university integrated media projects have been carried out. Benchmark cases have been set in the central media, provincial media, municipal media, industry media, enterprise integrated media, university integrated media, district and county integrated media, New media of Party journal and other market segments. It is comprehensively promoting the deep integration of mainstream media.

In the publishing market, in the first half of 2022, Jizhi platform of Hebei Publishing and Media Network, all media resource library and digital production management platform for secure publishing of books and periodicals of Beijing Publishing Group, digital production management platform for secure publishing of books and periodicals of Higher Education Press, knowledge service platform of China Petrochemical Press Co. Ltd., knowledge service platform of Economy & Management Publishing House, collaborative compilation platform of Standards Press of China, collaborative compilation platform of Chongqing University Press and the database of Guangxi Normal University Press Group Co., Ltd.

In the sci-tech journal market, Founder Electronics has continuously built and upgraded the “Founder Hongyun Academic Publishing Cloud Service Platform” by using artificial intelligence, big data, cloud computing and other technologies, serving nearly 800 users of journal publishing. The proposed manuscript collection and editing system has been first tried and used by seed users. Furthermore, Founder Electronics continues to cooperate with academic journal clusters including Light academic publishing center, journal cluster of Zhejiang University Press, journal cluster of Chinese Association of Chinese Medicine and other academic journals. We also carried out the cooperation in publishing and communication with single journals such as journal of “National Remote Sensing Bulletin” and “Acta Polymerica Sinica”. In terms of data push service, Founder Electronics provides value-added data services for nearly 100 domestic journals. We also carried out business cooperation in developing middle platform for research

and development with Chinese Medical Association Publishing House and carried out industrial extension and application projects such as the infrastructure of digital publishing platform with Central South University Press. In 2022, Founder Electronics continued to sign agreement with the China Association for Science and Technology for the construction project of “The international digital publishing service platform sub project of China Science and Technology Journal Excellence Action Plan – international platform for digital production of scientific and technological Journals”, which continued to provide technical service support for scientific and technological journals to move towards digitalization and internationalization.

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 2022, the number of employees of the Group was approximately 1,153 (31 December 2021: 1,208).

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 2022, the Group had nil interest-bearing bank borrowings (31 December 2021: Nil).

As at 30 June 2022, the Group recorded total assets of HK\$1,389.8 million which were financed by liabilities of HK\$389.3 million and equity of HK\$1,000.5 million. The Group’s net asset value per share as at 30 June 2022 amounted to HK\$0.83 (31 December 2021: HK\$0.86). The decrease in net asset value per share was due to loss and exchange differences arising from translation of foreign operations during the current interim period.

The Group had total cash and bank balances (including pledged deposits and cash and cash equivalents) of HK\$450.9 million as at 30 June 2022 (31 December 2021: HK\$606.3 million). As at 30 June 2022, the Group's gearing ratio, measured by the ratio of total borrowings (including lease liabilities) to total shareholders' equity, was 0.6% (31 December 2021: 0.5%) while the Group's working capital ratio was 2.42 (31 December 2021: 2.31). The increase in prepayments, other receivables and other assets by 5.7% to HK\$75.1 million (31 December 2021: HK\$71.0 million) was due to increase in prepayments arising from increase in purchase during the period. The decrease in other payables and accruals by 30.6% to HK\$189.7 million (31 December 2021: HK\$273.5 million) was due to payment of bonus during the current interim period.

As at 30 June 2022, 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 2022, the major contracts for the software development and systems integration business amounted to approximately HK\$387.8 million (31 December 2021: HK\$297.0 million), which are all expected to be completed within one year.

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

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures, or significant investments during the six months ended 30 June 2022.

Charges on assets

As at 30 June 2022, the Group's investment properties of approximately HK\$77.8 million and bank deposits of approximately HK\$7.6 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 2022. 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 2022, the Group did not have any significant contingent liabilities.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2022.

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 2022.

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 2022, including the accounting principles adopted by the Group, with the Company's management.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The 2022 interim report of the Company containing all the information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders of the Company and published on The Hong Kong Exchanges and Clearing Limited's website (www.hkexnews.hk) and the Company's website (www.irasia.com/listco/hk/founder) in due course.

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

Hong Kong, 30 August 2022

As at the date of this announcement, the Board comprises executive directors of Mr Cheung Shuen Lung (Chairman), Mr Shao Xing (President), Mr Qi Zi Xin, Mr Hu Bin, Ms Liao Hang and Mr Zhang Jian Guo, 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*