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INTERIM
REPORT

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





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors

Mr. Qi Zi Xin (*Chairman*)
Mr. Shao Xing (*President*)
Mr. Wang Jin Chao
Mr. Zhang Jian Guo
Ms. Wu Jing
Mr. Li Shuo Feng

Independent non-executive directors

Mr. Chan Chung Kik, Lewis
Mr. Lai Nga Ming, Edmund
Mr. Chak Chi Shing

COMMITTEES

Audit Committee

Mr. Chan Chung Kik, Lewis (*Chairman*)
Mr. Lai Nga Ming, Edmund
Mr. Chak Chi Shing

Remuneration Committee

Mr. Lai Nga Ming, Edmund (*Chairman*)
Mr. Qi Zi Xin
Mr. Chak Chi Shing

Nomination Committee

Mr. Qi Zi Xin (*Chairman*)
Mr. Chan Chung Kik, Lewis
Mr. Lai Nga Ming, Edmund

COMPANY SECRETARY

Ms. Cheang Yee Wah Eva

AUTHORISED REPRESENTATIVES

Mr. Qi Zi Xin
Mr. Shao Xing

AUDITORS

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISER

Fairbairn Catley Low & Kong

REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1408, 14th Floor
Cable TV Tower
9 Hoi Shing Road
Tsuen Wan
New Territories
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

Principal registrar and transfer office

MUFG Fund Services (Bermuda) Limited
4th floor North
Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

Hong Kong branch share registrar and transfer office

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

LISTING INFORMATION

Main board of The Stock Exchange of Hong Kong Limited
Stock code: 00418
Board lot: 2,000 shares

COMPANY WEBSITE

www.irasia.com/listco/hk/founder

INTERIM RESULTS

The board of directors (the “Board”) of Founder Holdings Limited (the “Company”) presents the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2024, together with the comparative figures for the corresponding period in 2023. The interim condensed consolidated 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 2024

	NOTES	For the six months ended 30 June	
		2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
REVENUE	3	385,070	373,048
Cost of sales		(210,489)	(198,957)
Gross profit		174,581	174,091
Other income and gains	4	21,844	22,351
Selling and distribution expenses		(94,815)	(99,740)
Administrative expenses		(27,741)	(35,428)
Other expenses, net		(79,024)	(88,773)
Finance costs	5	(74)	(89)
Share of losses of associates		(16)	(66)
LOSS BEFORE TAX	6	(5,245)	(27,654)
Income tax credit	7	843	767
LOSS FOR THE PERIOD		(4,402)	(26,887)
Attributable to:			
Owners of the parent		(4,402)	(26,887)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted	8	HK(0.4) cents	HK(2.2) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	For the six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	(4,402)	(26,887)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of associates	(168)	(16)
Exchange differences on translation of foreign operations	(6,210)	(22,360)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(6,378)	(22,376)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Changes in fair value of equity investments at fair value through other comprehensive income	140	(54)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	140	(54)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(6,238)	(22,430)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(10,640)	(49,317)
Attributable to:		
Owners of the parent	(10,640)	(49,317)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2024

	NOTES	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		234,329	241,898
Investment properties		128,633	128,680
Right-of-use assets		2,356	3,670
Investment in associates		2,053	2,237
Equity investments at fair value through other comprehensive income		560	420
Pledged deposit		1,730	1,742
Total non-current assets		369,661	378,647
CURRENT ASSETS			
Inventories		88,280	89,911
Trade and bills receivables	10	178,253	181,898
Contract assets		17,337	15,703
Prepayments, other receivables and other assets		68,883	47,178
Financial assets at fair value through profit or loss		885	946
Cash and cash equivalents		672,902	749,021
Pledged deposits		2,585	3,113
Total current assets		1,029,125	1,087,770
CURRENT LIABILITIES			
Trade and bills payables	11	59,110	63,402
Contract liabilities		58,046	47,965
Other payables and accruals		146,506	206,725
Lease liabilities		1,282	2,152
Tax payable		302	302
Total current liabilities		265,246	320,546
NET CURRENT ASSETS		763,879	767,224
TOTAL ASSETS LESS CURRENT LIABILITIES		1,133,540	1,145,871

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 JUNE 2024

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
NON-CURRENT LIABILITIES		
Lease liabilities	752	1,273
Deferred tax liabilities	43,340	44,510
Total non-current liabilities	44,092	45,783
Net assets	1,089,448	1,100,088
EQUITY		
Equity attributable to owners of the parent		
Issued capital	119,975	119,975
Reserves	969,473	980,113
Total equity	1,089,448	1,100,088

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Attributable to owners of the parent								
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Land and buildings revaluation reserve (Unaudited) HK\$'000	Equity investments at fair value through other comprehensive income revaluation reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	General reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 31 December 2023	119,975	53,597*	867,910*	198,696*	(13,500)*	(44,228)*	93,683*	(176,045)*	1,100,088
Loss for the period	-	-	-	-	-	-	-	(4,402)	(4,402)
Share of other comprehensive loss of associates	-	-	-	-	-	(168)	-	-	(168)
Change in fair value of equity investments at fair value through other comprehensive income	-	-	-	-	140	-	-	-	140
Exchange differences on translation of foreign operations	-	-	-	-	-	(6,210)	-	-	(6,210)
Total comprehensive loss for the period	-	-	-	-	140	(6,378)	-	(4,402)	(10,640)
Transfer of revaluation reserve of land and buildings to accumulated losses	-	-	-	(3,030)	-	-	-	3,030	-
Transfer to general reserve	-	-	-	-	-	-	1,266	(1,266)	-
At 30 June 2024	119,975	53,597*	867,910*	195,666*	(13,360)*	(50,606)*	94,949*	(178,683)*	1,089,448

* These reserve accounts comprise the consolidated reserves of HK\$969,473,000 (31 December 2023: HK\$980,113,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Attributable to owners of the parent								
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Land and buildings revaluation reserve (Unaudited) HK\$'000	Equity investments at fair value through other comprehensive income revaluation reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	General reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 31 December 2022	119,975	53,597	867,910	203,354	(13,537)	(33,190)	85,060	(233,101)	1,050,068
Loss for the period	-	-	-	-	-	-	-	(26,887)	(26,887)
Share of other comprehensive loss of associates	-	-	-	-	-	(16)	-	-	(16)
Change in fair value of equity investments at fair value through other comprehensive income	-	-	-	-	(54)	-	-	-	(54)
Exchange differences on translation of foreign operations	-	-	-	-	-	(22,360)	-	-	(22,360)
Total comprehensive loss for the period	-	-	-	-	(54)	(22,376)	-	(26,887)	(49,317)
Transfer of revaluation reserve of land and buildings to accumulated losses	-	-	-	(3,288)	-	-	-	3,288	-
At 30 June 2023	119,975	53,597	867,910	200,066	(13,591)	(55,566)	85,060	(256,700)	1,000,751

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

		For the six months ended 30 June	
		2024	2023
		(Unaudited)	(Unaudited)
NOTES		HK\$'000	HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(5,245)	(27,654)
Adjustments for:			
Finance costs	5	74	89
Share of losses of associates		16	66
Interest income	4	(5,809)	(7,071)
Gain on disposal of items of property, plant and equipment	4	(49)	(12)
Fair value loss on financial assets at fair value through profit or loss	6	6	14
Depreciation of property, plant and equipment	6	7,145	8,680
Depreciation of right-of-use assets	6	1,559	1,691
Impairment of trade receivables	6	8,664	4,991
Impairment of other receivables	6	364	239
Impairment/(reversal of impairment) of contract assets	6	447	(107)
Reversal of impairment of entrusted loan	6	(9,741)	–
Write-off of inventories	6	650	1,118
Provision for obsolete inventories	6	8,046	1,176
		6,127	(16,780)
Increase in inventories		(7,065)	(33,360)
(Increase)/decrease in contract assets		(2,081)	2,554
(Increase)/decrease in trade and bills receivables		(5,019)	23,880
(Increase)/decrease in prepayments, other receivables and other assets		(12,328)	2,112
(Decrease)/increase in trade and bills payables		(4,292)	613
Increase in contract liabilities		10,081	35,860
Decrease in other payables and accruals		(60,219)	(105,326)
Exchange differences		353	4,486
Cash used in operations		(74,443)	(85,961)
Bank interest received		5,809	7,071
Interest element of lease payments		(74)	(89)
Hong Kong profits tax recovered		32	–
Mainland of the People's Republic of China ("Chinese Mainland" or the "PRC") corporate income tax paid		(6)	(3)
Net cash flows used in operating activities		(68,682)	(78,982)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

	For the six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(887)	(1,388)
Proceeds from disposal of items of property, plant and equipment	50	19
Increase in non-pledged time deposits with original maturity of more than three months when acquired	(219,134)	–
Decrease/(increase) in pledged deposits	540	(105)
Net cash flows used in from investing activities	(219,431)	(1,474)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal portion of lease payments	(1,629)	(1,675)
Net cash flows used in financing activities	(1,629)	(1,675)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(289,742)	(82,131)
Cash and cash equivalents at beginning of period	749,021	733,315
Effect of foreign exchange rate changes, net	(5,511)	(22,056)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	453,768	629,128
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	72,161	529,687
Non-pledged time deposits	600,741	99,441
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	672,902	629,128
Non-pledged time deposits with original maturity of more than three months when acquired	(219,134)	–
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	453,768	629,128

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2024

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants, as well as with the applicable disclosure requirement of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2023. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

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 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

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

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

The nature and impact of the revised HKFRSs are described below: *(continued)*

- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

3. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Revenue from contracts with customers	382,507	370,156
Revenue from other sources		
Gross rental income	2,563	2,892
	385,070	373,048

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Type of goods or services		
Sale of information products and software	382,507	370,156
Geographical markets		
Chinese Mainland	382,507	370,156
Timing of revenue recognition		
Goods transferred at a point in time	382,507	370,156

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 and information products distribution, accordingly, no segment information is presented.

4. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Bank interest income	5,809	7,071
Government grants	14,077	13,634
Gain on disposal of items of property, plant and equipment	49	12
Others	1,909	1,634
	21,844	22,351

5. FINANCE COSTS

	For the six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Interest on lease liabilities	74	89

6. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Cost of inventories sold**	144,299	142,091
Cost of services provided**	58,144	55,690
Depreciation of properties, plant and equipment	7,145	8,680
Depreciation of right-of-use assets	1,559	1,691
Impairment of trade receivables*	8,664	4,991
Impairment of other receivables*	364	239
Reversal of impairment of entrusted loan*	(9,741)	–
Impairment/(reversal of impairment) of contract assets*	447	(107)
Loss on write-off of inventories*	650	1,118
Fair value loss on financial assets at fair value through profit or loss*	6	14
Provision for obsolete inventories**	8,046	1,176
Foreign exchange differences, net	1,097	3,174
Research and development costs:		
Current period expenditure*	74,264	77,249

* 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	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Current – Hong Kong		
Charge for the period	10	–
Current – Chinese Mainland		
Underprovision in prior year	6	1
Deferred	(859)	(768)
Total tax credit for the period	(843)	(767)

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 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 (2023: 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 Chinese Mainland. 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 2023: 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 2024 and 2023.

9. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

10. TRADE AND BILLS RECEIVABLES

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Trade receivables	206,995	206,346
Bills receivable	17,174	13,081
Impairment	(45,916)	(37,529)
	178,253	181,898

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 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Within 6 months	90,998	122,912
7 to 12 months	43,091	19,373
13 to 24 months	24,834	22,136
Over 24 months	2,156	4,396
	161,079	168,817

Included in the Group's trade and bills receivables are amounts due from 新方正控股發展有限責任公司 (New Founder Holdings Development Co., Ltd. *) ("New Founder"), a substantial shareholder of the Company, and its subsidiaries (collectively "New Founder Group") of HK\$55,000 as at 30 June 2024 (31 December 2023: HK\$296,000), which are repayable on similar credit terms to those offered to the major customers of the Group.

* For identification purpose only

11. 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 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Within 6 months	36,420	44,699
7 to 12 months	13,869	12,601
13 to 24 months	5,279	2,741
Over 24 months	3,542	3,361
	59,110	63,402

Included in the Group's trade and bills payables are amounts due to New Founder Group of approximately HK\$112,000 (31 December 2023: HK\$113,000), which are repayable on agreed terms similar to those offered by other third party suppliers.

12. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities (31 December 2023: Nil).

13. RELATED PARTY TRANSACTIONS

(I) Transactions with related parties

The Group had the following material transactions with related parties during the period:

	NOTES	For the six months ended 30 June	
		2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Sales of goods to Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries (not within the New Founder Group)	(i)	456	96
Sales of goods to New Founder Group	(i)	2,015	187
Purchase of goods from New Founder Group	(i)	388	359
Rental expense to New Founder	(ii)	6,235	–
Management expense to New Founder Group	(iii)	2,348	2,602

Notes:

- (i) These transactions were conducted on the terms agreed between the parties involved.
- (ii) The expenses were attributable to the lease agreement with New Founder to lease the premises in Beijing at market price.
- (iii) The expenses were attributable to the management agreement with 北京北大資源物業經營管理集團有限公司, an associate of New Founder as at the date of the agreement, to accept property management services at market price.

The above related party transactions for the current year also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

13. RELATED PARTY TRANSACTIONS *(continued)*

(II) Outstanding balances with related parties

Details of the Group's trade balances with its related companies as at the end of the reporting period are disclosed in notes 10 and 11 to the interim condensed consolidated financial statements.

(III) Compensation of key management personnel of the Group

In the opinion of the directors, the directors of the Company represented the key management personnel of the Group. Compensation paid to directors during the period is as follows:

	For the six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Short term employee benefits	2,262	2,466
Pension scheme contributions	72	105
Total compensation paid to key management personnel	2,334	2,571

14. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair value, are as follows:

	Carrying amounts		Fair values	
	As at 30 June 2024 (Unaudited) HK\$'000	As at 31 December 2023 (Audited) HK\$'000	As at 30 June 2024 (Unaudited) HK\$'000	As at 31 December 2023 (Audited) HK\$'000
Pledged deposit, non-current portion	1,730	1,742	1,700	1,686
Equity investments at fair value through other comprehensive income	560	420	560	420
Bills receivable	17,174	13,081	17,174	13,081
Financial assets at fair value through profit or loss	885	946	885	946
	20,349	16,189	20,319	16,133

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets and financial liabilities included in other payables and accruals, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair value of non-current portion of pledged deposits and bills receivables has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for non-current portion of pledged deposits and lease liabilities as at 30 June 2024 was assessed to be insignificant.

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

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

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

As at 30 June 2024

	Fair value measurement using			Total (Unaudited) HK\$'000
	Quoted prices in active markets (Level 1) (Unaudited) HK\$'000	Significant observable inputs (Level 2) (Unaudited) HK\$'000	Significant unobservable inputs (Level 3) (Unaudited) HK\$'000	
Equity investments at fair value through other comprehensive income	560	–	–	560
Financial assets at fair value through profit or loss	885	–	–	885
Bills receivable	–	17,174	–	17,174
	1,445	17,174	–	18,619

As at 31 December 2023

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

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

Fair value hierarchy *(continued)*

Assets measured at fair value (continued)

The Group did not have any financial liabilities measured at fair value during the six months ended 30 June 2024 and the year ended 31 December 2023. During the six months ended 30 June 2024 and the year ended 31 December 2023, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Assets for which fair values are disclosed

As at 30 June 2024

	Fair value measurement using			Total (Unaudited) HK\$'000
	Quoted prices in active markets (Level 1) (Unaudited) HK\$'000	Significant observable inputs (Level 2) (Unaudited) HK\$'000	Significant unobservable inputs (Level 3) (Unaudited) HK\$'000	
Pledged deposit, non-current portion	–	1,700	–	1,700

As at 31 December 2023

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

15. EVENT AFTER THE REPORTING PERIOD

References are made to the announcements of the Company dated 18 February 2020, 19 February 2020, 17 July 2020, 31 July 2020, 25 January 2021, 29 January 2021, 30 April 2021, 5 May 2021, 28 May 2021, 28 June 2021, 8 July 2021, 8 February 2022 and 29 December 2022 in relation to, among other things, the restructuring proposal. Unless otherwise stated, capitalized terms used herein shall have the same meanings as defined in such announcements.

The Company received a notification from the administrator of Peking University Founder Group Company Limited ("Peking Founder"), stating that the entrusted loans lent to Peking Founder would be further settled in July 2024 as to the amount of approximately RMB8.9 million (HK\$9.7 million). The Company will continue to closely monitor the subsequent development and impact of this incident and the status of entrusted loan receivables from Peking Founder.

16. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 27 August 2024.

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 2024 of approximately HK\$4.4 million (six months ended 30 June 2023: HK\$26.9 million). The Group's turnover for the current interim period increased by slightly 3.2% to approximately HK\$385.1 million (six months ended 30 June 2023: HK\$373.0 million) due to increase in sales of printing business and media business. Gross profit for the current interim period was maintained at approximately HK\$174.6 million (six months ended 30 June 2023: HK\$174.1 million). Gross profit ratio decreased slightly from 46.7% for the last interim period to 45.3% for the current interim period as a result of decrease in proportion of sales of font library business with higher profit margin.

The decline in loss attributable to the equity holders of the parent for the six months ended 30 June 2024 was attributable to the decrease in total selling and distribution expenses, administrative expenses and other expenses, net by 10.0% to approximately HK\$201.6 million (six months ended 30 June 2023: HK\$223.9 million) as a result of:

- a. the one-off gain on reversal of the provision for impairment of the entrusted loan to Peking University Founder Group Company Limited, reference is made to the announcement of the Company dated 19 July 2024;
- b. the decrease in staff costs as a result of decrease in the number of staff; and
- c. the decline in foreign exchange loss due to less significant fluctuation of exchange rate of Renminbi against Hong Kong dollars during the six months ended 30 June 2024 as compared to the same period last year.

Basic and diluted loss per share attributable to equity holders of the parent for the six months ended 30 June 2024 was HK0.4 cents (six months ended 30 June 2023: HK2.2 cents).

OPERATING REVIEW AND PROSPECTS

Font Library Business

In order to promote the culture of Chinese characters, convey the beauty of writing, and meet the constantly changing needs of various fields in society, FounderType (方正字庫) has made a number of attempts.

- 1) Font design aspect: Actively respond to the national initiative of "Standardizing the use of Chinese characters (規範使用漢字)", and take the development of classical calligraphy of past dynasties as one of the major work focuses to promote the development of "Exquisite Chinese Font Library Project (中華精品字庫工程)". The Japanese versions of four Exquisite Chinese fonts, including Regular Script Font of Yan Zhenqing-style (顏真卿楷書), Regular Script Font of Liu Gongquan-style (柳公權楷書), Semi-cursive Script Font of Su Shi-style (蘇軾行書), and Stele Regular Script of Cuan Baozi-style (爨寶子碑楷書), have been completed and launched, promoting the application of the Exquisite Chinese Font Library (中華精品字庫) in the Japanese market. Based on industry trends, we have focused on launching exquisite fonts such as retro round (復古粗圓), extremely black (極黑), mega black (兆黑), logo black (LOGO黑), Cangyan-style black (蒼顏黑), jet black (烏黑), Kutang stone carving style (字酷堂石刻體), Yiman-style Song (逸漫宋), Leng Rui-style Song (冷銳宋), etc. The first customized font of the Year of the Loong Spring Festival Gala "Spring Festival Gala Dragon-style of Founder (方正春晚龍行體)" was developed in conjunction with CCTV's (央視) Spring Festival Gala, and the unique "Chinese Romance (中式浪漫)" was demonstrated with classic Chinese characters.
- 2) Font design technology aspect: To ensure font quality and to improve design efficiency, we continued to promote the use of artificial intelligence-aided font design technology in our major design works in "Exquisite Chinese Font Library Project (中華精品字庫工程)" and "Spring Festival Gala Dragon-style of Founder (方正春晚龍行體)". Continuously promoting the technological upgrade of the "Font + (字加)" computer clients base and the "FounderType" computer clients base, utilizing AI (artificial Intelligence) technology to enhance font identifiability and intelligent recommendation capabilities. A super large font library typewriting was launched, continue to upgrade and improve the Founder Population Information GB18030 Super Large Font Solution (方正人口信息GB18030超大字庫解決方案), and thus help to solve the problem of missing characters in social systems.

- 3) Marketing and service aspect: On the basis of consolidating and expanding the cooperation with major corporate clients, we continue to strengthen customer service and increase the collaboration with design companies and advertising companies. We continue to push forward the development of the comprehensive service system from the official website of FounderType, “Font + (字加)” of wechat application, to the PC clients end of “Font +” and the PC clients end of FounderType, providing the users with efficient and convenient font services.
- 4) Market promotion aspect: Convene “the 12th Founder Award Design Competition Award Ceremony (第十二屆方正獎設計大賽頒獎典禮)”, the Exhibition with Design Forum of Future created by Fonts (展覽暨字創未來設計論壇) at the Central Academy of Fine Arts (中央美術學院), inviting judges and experts from domestic and foreign competitions to give the live speeches and engage in discussions, strengthening the exchanges and cooperation with international peers and designer groups. The United Nations Open University (聯合國開放大學) hosted a United Nations Chinese Day event (聯合國中文日活動) with the theme of “Digital Innovation in Chinese, Shining with Glory (數創中文·輝光日新)”. We actively participated in industry forums such as the 2nd Beijing International Art Publishing Forum (第二屆北京國際藝術出版論壇) and the FBIF2024 Food and Beverage Innovation Forum (FBIF2024食品飲料創新論壇), and held the exhibitions to showcase the latest products and technological achievements of FounderType to a wider range of industry groups such as publishing, and food and beverage.

The above measures not only further enhanced the professional brand image and industry-leading position of FounderType, but also raised the public awareness of young and internationalization image of FounderType. This enabled FounderType to lay a solid foundation for the future and long-term development.

Printing Business

According to the latest data released by the National Bureau of Statistics (國家統計局), the operating revenue of China’s printing and recording media replication industry in enterprises above designated size reached RMB97.1 billion, a year-on-year increase of 9% from January to February 2024. Meanwhile, the operating cost was RMB81.3 billion, a year-on-year increase of 8%, while the total profit reached RMB4 billion. Entering March, with the accelerated resumption of work and production by enterprises after the Chinese Spring Festival, market vitality had significantly improved, and the manufacturing PMI index had rebounded to 50.8%, marking the return of the manufacturing industry to the expansion range. Based on these positive signals, it can be foreseen that China’s printing industry will synchronize with the national economy and enter a gradual recovery track in 2024.

At the end of May, the 2024 Drupa Printing Exhibition (2024年德魯巴印刷展) with the theme of “Creating the Future Together (共創未來)” opened grandly in Dusseldorf, Germany. As the largest international exhibition in the global printing industry, this year it had attracted over 1,600 exhibitors, with Chinese exhibitors taking the lead with over 400 units, setting a new record in history. This not only demonstrated the vigorous development of China’s printing industry, but also reflected the active expansion of overseas markets by Chinese printing equipment enterprises, and the future of the printing industry is full of hope. At the exhibition, the trend of digital printing technology, especially inkjet printing technology, replacing traditional printing has become increasingly apparent. Beijing Founder EasiPrint Digital Technical Co., Ltd.* (北京方正印捷數碼技術有限公司) (“Founder EasiPrint”), as a wholly-owned subsidiary of the Company, will continue to deeply cultivate inkjet technology and lead the industry towards a new era of digitalization.

* For identification purpose only

In terms of product innovation, new products launched by Founder EasiPrint (方正印捷), such as Founder EagleJet P6600CHD-33 High-speed Copperplate Inkjet Rotary Printing Machine (方正榮鷹P6600CHD-33高速銅版紙噴墨輪轉印刷機), Founder EagleJet D330HD High-speed Single Sheet Inkjet Machine (方正榮鷹D330HD高速單張紙噴墨機), and Founder Yunshu 4.0 (方正雲舒4.0), have all entered the promotion and sales stage. Among them, the P6600CHD-33 equipment (方正榮鷹P6600CHD-33), with its breakthrough in high-speed inkjet technology in the field of copperplate printing, has been running stably at multiple customers, with excellent printing quality, and is expected to become a revolutionary product in the fields of books, magazines, and commercial printing. The D330HD High-speed Single Sheet Inkjet Machine (方正榮鷹D330HD高速單張紙噴墨機), with its compact, flexible, and high-definition single sheet printing characteristics, is suitable for fast printing stores and government printing environments with strict requirements for venue and printing quality. It has been tested by customers and has a broad market prospect. As the latest upgrade of Yunshu Publishing's file management (雲舒出版文件管理), Yunshu 4.0 (方正雲舒4.0) software integrates advanced functions such as encrypted printing, version library submission, and electronic blue paper, greatly improving the satisfaction of publishing houses and printing enterprises. It is expected to continue to maintain a stable growth momentum.

In terms of sales, the market of the high-speed inkjet printing equipment maintained a good growth trend, and the installed capacity of Founder EasiPrint showed a significant increase compared to last year in the first half of 2024. Although the market experienced ups and downs in the second half of last year, we are optimistic about the market environment towards the second half of 2024, and expect that the sales of equipment and consumables will significantly exceed the same period last year in the next six months. At the same time, the Company has made new progress in exploring the international market and is expected to achieve overseas sales and installation of multiple equipment in the second half of the year. International business is expected to become an important component of the Company's business.

In terms of market promotion, in 2024, Founder EasiPrint held multiple on-site customer visits to newly installed users, and the enthusiasm of industry colleagues to participate was high, which had a positive driving effect on sales activities. At the Druba exhibition (德魯巴展會), we collaborated with partner manufacturers to promote equipment and achieved significant results. We also added multiple international agents, which will provide strong support for the Company's global sales of product. In addition, the latest technological trends at the Druba exhibition were shared with domestic peers and users who were unable to attend the exhibition through live recording and explanations, as well as the international manufacturer exhibitions, etc. At the "2024 Printing Innovation Technology Exchange and Cooperation Seminar (2024印刷創新技術交流合作研討會)" held at the same time, Founder EasiPrint delivered a speech titled "Inkjet Printing Leading China, Digital Intelligence Crossing Borders (《噴墨印領中國·數智跨越國界》)", which attracted widespread attention. After the exhibition, Founder EasiPrint was invited by industry authoritative media experts for interview and planned a series of user application case videos and user story articles, continuously attracting attention and user testimonies as brand endorsements. China Press, Publication, Radio and Television News – Printing Guide (中國新聞出版廣電報—印刷導報) and China Printing Magazine (中國印刷雜誌) – Two authoritative media outlets in the industry invited Founder EasiPrint for interview. The product manager of Founder EasiPrint shared his experience of participating in the Druba exhibition, interpreted the latest technology in the industry, and analyzed the development trends of the industry. The dissemination of the Founder EagleJet inkjet user story series has sparked a wave of attention among printing users and media in the printing industry, and has been recognized and actively forwarded by industry media. The dissemination during the Druba exhibition, on the one hand, leveraged the popularity of the exhibition to continuously build the image of Founder as a printing expert, analyze and interpret the development trend of inkjet printing, and continuously consolidate the leading position of inkjet printing with professionalism in the inkjet field. On the other hand, through brand cooperation and participation in international forums, and user application experiences, it showcases the market strength and enhances brand influence of the brand of Founder EasiPrint, creating a brand environment for expanding domestic and international markets. Independent software products such as Changliu (暢流), Yunshu (雲舒), and Changyi (暢易) have also had in-depth exchanges with industry peers through online and offline technical seminars, and received enthusiastic responses, making positive contributions to the technological progress and innovative development of the printing industry.

Media Business

Macro policy

Focusing on media integration, three ministries and commissions including the Publicity Department of the CPC Central Committee (中宣部), the Ministry of Finance (財政部) and National Radio and Television Administration (國家廣電總局) jointly issued the “Notice on the implementation of plan for promoting the development of in-depth integration of municipal level media” (《推進地市級媒體加快深度融合發展實施方案》) (hereinafter referred to as the “Plan”) in April 2022, in which specific deployments were made for the in-depth integration of municipal level media, and 60 cities (including municipal and county-level) were selected to promote the pilot constructions of city level integrated media centers. The Plan required to focus on integrated development, take the Internet as the main platform, promote the intensive and digital transformation of the collection and editing process, optimize the allocation of collection and editing resources and forces, and establish a new collection and editing platform with unified command and scheduling. It aims at the integration and application of multiple technologies, and the adaptation to multi-interface news production, so as to realize the one-time collection, multiple generation, and all media dissemination of news information. We have to build a new communication platform, grasp the mobile trend, build multiple communication channels, establish a variety of platform terminals, develop a variety of communication forms, and thus to form a distinctive, wide coverage, three dimensional and rapid all-rounded media communication matrix. We should focus on client base establishment by making full use of mobile communication technology, strengthening visible presentation, interactive communication, accurate pushing, and enhancing immersive experience and user stickiness. We should also strengthen the support of advanced technology by utilizing 5G, big data, cloud computing, artificial intelligence, blockchain and other new technologies, to strengthen the database infrastructure for the content and user, and improve the capability of data collection, storage, management, analysis and application. To promote vertical media connectivity, provincial technology platforms should expand capacity and improve the functions, in order to provide technical support and operation and maintenance services for municipal and county-level integrated media centers within the province, and to facilitate the interconnection of the integrated development of provincial, city, municipal and county level media. With the promotion of the construction of integrated media centers in cities and prefectures, as of June 2024, many cities in China have achieved provincial coverage of the construction of integrated media centers at the city level. At present, 146 city-prefecture level integrated media centers have been established nationwide. Among more than 330 cities and prefectures (regions, autonomous prefectures, and alliances) in China, prefecture level integrated media centers account for 40% of the total. In 2024, city-prefecture level integrated media centers will continue to promote platform construction, with mobile news clients as the focus of construction. We will promote the construction of integrated media platforms, actively participate in the modernization of social governance, integrate social governance into smart city construction sector, explore the business models of government as govern affairs + business + services (政務+商務+服務), and strive to create a new type of mainstream media with strong influence and competitiveness.

Around integrated publishing, in April 2022, the Publicity Department of the CPC Central Committee issued “The implementation opinions on promoting the deep integration and development of publishing” (《關於推動出版深度融合發展的實施意見》) (hereinafter referred to as the “Opinions”). The Opinions focus on accelerating the in-depth integration and development of publishing, constructing a new publishing and communication system in the digital era, adhering to the general thought of combining systematic promotion with demonstration and guidance, and put forward 20 main measures from 6 aspects: strategic planning, content construction, technical support, key projects, talent team, and security system. It can make a comprehensive deployment and put forward clear requirements for the goals, directions, paths and measures of the integrated development of publishing in the future. At the end of 2023, the Central Propaganda Department (中宣部) and the Ministry of Education (教育部) jointly issued “The Implementation Opinions on Promoting the co-construction of Publishing Discipline Majors (《關於推進出版學科專業共建的實施意見》)”, promoting co-operation among universities, relevant departments and units to jointly establish the publishing colleges and strengthen the construction of publishing discipline majors so as to accelerate the cooperation among industry, university and research development. In January 2024, the National Press and Publication Administration (國家新

聞出版署) issued a “The notice on organizing and implementing the 2024 Publishing Integration Development Project of the National Press and Publication Administration (國家新聞出版署關於組織實施2024年度出版融合發展工程的通知). This year, it focuses on deepening Digital Publishing Quality Platform Selection and Recommendation Plan (數字出版優質平台遴選推薦計劃), and the Publishing Integration Development Excellent Talent Selection and Training Plan (出版融合發展優秀人才遴選培養計劃). The Publishing Integration Development Project (出版融合發展工程) has been implemented since 2021 and is a systematic arrangement to promote the in-depth integration development of the publishing industry. In 2021 and 2023, the emphasis will be placed on the in-depth implementation of the Digital Publishing Boutique Selection and Recommendation Plan (數字出版精品遴選推薦計劃), and the Publishing Integration Development Demonstration Unit Selection and Recommendation Plan (出版融合發展示範單位遴選推薦計劃). In 2022 and 2024, the emphasis will be placed on the in-depth implementation of the Digital Publishing Quality Platform Selection and Recommendation Plan (數字出版優質平台遴選推薦計劃), and the Publishing Integration Development Excellent Talent Selection and Training Plan (出版融合發展優秀人才遴選培養計劃). The National Press and Publication Administration (國家新聞出版署) has organized the implementation of the 2024 Publishing Integration Development Project (2024年度出版融合發展工程), with the goal of continuing to promote the deep integration of traditional and digital publishing, and creating new quality productivity in the publishing industry.

The trends of industry demand

Regarding media integration, with the development of generative artificial intelligence technology, related technologies such as artificial intelligence have begun to be deeply applied in media deep integration. Especially, generative artificial intelligence represented by big models has begun to penetrate into various industries, triggering a new round of artificial intelligence technology revolution. More and more central and provincial level media are actively exploring the integration of technologies such as big models and AIGC with media business, building AIGC artificial intelligence application platforms, applying big models and AIGC artificial intelligence technologies to provide content production efficiency, empowering media news production and dissemination, and promoting the transformation of media integration from integrated media to intelligent media. For example, through digital humans, AI videos, AI content review, AI creation, and building an AIGC content ecosystem. In addition, media at all levels continue to promote the construction of a comprehensive media system, build diverse publishing channels, accelerate the upgrading of self-built clients, continuously expand new scenarios and channels, integrate multiple platforms, and cooperate across borders to build a comprehensive media communication matrix. Provincial media actively integrate media resources within the province, strengthen the construction of independent and controllable provincial cloud platforms, empower deep integration of media at the provincial, city, and county levels, create an integrated communication pattern within the province, and connect the media at all levels from central media to provincial, city, and county. At the same time, mainstream media at all levels established international communication centers. In 2023, 31 international communication centers were established in 18 provinces including Shanghai, Guangdong, Shandong, Henan, and Hunan. Multilingual websites were built, and a multi subject, three-dimensional communication matrix would be constructed. The city-prefecture level integrated media center integrated the resources around the construction of city-prefecture level integrated media centers, built a unified city-prefecture level integrated media platform, and promoted the upgrading of news clients.

Around integrated publishing, many publishing groups actively layout artificial intelligence applications, explore the development and application of artificial intelligence technology, build professional field models, promote the digitization, networking, and intelligent upgrading transformation of traditional publishing, promote the application of new technologies in the entire publishing industry chain, so as to achieve industrial innovation through technological innovation, attach importance to the innovation of artificial intelligence scene applications, integrate artificial intelligence technology with traditional publishing editing and scheduling, and build a human-machine collaborative intelligent publishing business process. We emphasize the coordinated construction of content development with artificial intelligence technology application, promote the intelligent transformation of business processes, in order to achieve the improvement of content production efficiency and quality, upgrade product services, and cultivate new quality productivity through new technologies.

1) Product and solution:

Focusing on deep media integration: In the first half of 2024, we continue to increase the development and iteration of the new generation of intelligent media open platform “Founder Skylark Cloud Media Integration Platform (方正雲雀融媒體平台)”, deepen the research and development of data middle platform and AI middle platform, and create a new generation of media integration technology supporting platform with cloud, containerization, and microservice architecture, continuously improving the intelligence of products, video capabilities of products, fully empowering the in-depth integration of media and the construction of technology platforms for municipal-level integrated media centers. A new generation of intelligent media opened platform “Founder Skylark Cloud Media Integration Platform (方正雲雀融媒體平台)” realized not only the integration for media businesses, management, users and data, but also the optimization of new mobile media platforms and mobilization of core content productive businesses. Meanwhile, the solution strengthened and optimized the abilities of comprehensive and integrated production (統一融合生產能力), comprehensive planning and interview (統一策採能力), comprehensive compilation and editing and distribution from various ends (統一編審和多端發佈能力) through the assistance of data middle platform and artificial intelligence middle platform, realize the digitization and intelligence of various application scenarios for planning, interview, compilation, editing, publishing and distribution (策採編審發傳). In the second half of 2023, Beijing Founder Electronics Co., Ltd.* (北京北大方正電子有限公司) (“Founder Electronics”), a wholly-owned subsidiary of the Company, released the Rubik’s Cube Media Big Model (魔方媒體大模型) and the AIGC auxiliary tool based on the Rubik’s Cube Media Big Model, which is Rubik’s Cube Intelligent Creator (魔方智能創作器). The Founder’s Rubik’s Cube Media Big Model focuses on serving the media industry, fully combining the characteristics of the industry’s own data, tasks, and tools, bringing more innovation and value to the media industry application from the dimensions of industry model training, prompt engineering, RAG knowledge enhancement, use of external tools and Agent. In the first half of 2024, based on the Founder Rubik’s Cube Media Big Model and Founder Rubik’s Cube Intelligent Creator released last year, the Founder Rubik’s Cube Intelligent Creator V2.0 version (魔方智能創作器V2.0版本) was released. The core capabilities of Founder Rubik’s Cube Intelligent Creator V2.0 version mainly focus on five aspects: “event understanding and intelligent topic selection (事件理解與智能選題), knowledge Q&A and assisted creation (知識問答與輔助創作), text understanding and document processing (文本理解與文檔處理), multimodal generation and information extraction (多模態生成與信息抽取), and AI intelligent toolset (AI智能工具集). They aim to improve the authority and accuracy of generated content, create the chief AI assistant for media professionals, empower content creators, and improve media production efficiency and quality.

Around integrated publishing business: For the publishing business: Founder Electronics has continuously stepped up its efforts in the research and development of the new generation of the digital joint compilation system, covering technologies and software products for joint compilation (協同編纂系統), smart review (智能審校), XML automatic typesetting (XML自動化排版), knowledge service (知識服務) and content production (內容制作). In the first half of 2024, Founder Smart Review Version 5.0 (方正智能審校5.0版本) was released to introduce the Big Model Technology which continuously enhance ideological content review and control capabilities, intelligent error correction capabilities, knowledge inspection capabilities, and the applications for scenario expansion, while fully opening up text and knowledge review capabilities such as text review, document review, and knowledge review. Multimedia content review capabilities towards images, audio and video was launched. In the first half of 2024, AI editorial assistant was officially launched, which equipped with AI big models, providing functions such as intelligent editing and review assistance (Pre-review of manuscripts), pre-layout by AI, artificial intelligence generated content (intelligent rewriting and polishing of manuscripts) and AI content review in scenarios application. Facing the academic journal market, in the first half of 2024, on the basis of the Founder Hongyun Academic Publishing and Communication Service Platform 3.0 (方正鴻雲學術出版與傳播服務平台3.0) released last year, artificial intelligence applications such as AI guided reading, AI video, and AI manuscript detection have been launched. The platform is mainly characterized by integration, clustering, internationalization, intelligentization, and datamation, serving the journal groups to create a full process digital publishing platform. Meanwhile, when promoting the intensive and clustered development of scientific and technological journals, the international influence and dissemination were enhanced, so as to assist in the transformation of digitalization and intelligentization for academic journals in China.

* For identification purpose only

2) Business model:

We are committed to actively promoting the transformation of software solution for authorization service, SaaS service, software service and data service. In the first half of 2024, the proportion in relation to the revenue of service-oriented business accounted for over 50%. The business model has gradually changed from the 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 2024, Founder Electronics reached new cooperations with central-level, provincial-level and municipal-level media clients such as People's Daily (人民日報社), Yangcheng Evening News (羊城晚報), Gansu Daily (甘肅日報社), Shanxi Daily (山西日報社), Zhejiang Jinhua Integrated Media Center (浙江金華融媒體中心), Guangxi Qinzhou Integrated Media Center (廣西欽州融媒體中心) and won the bid for provincial media project of Shaanxi Daily editorial upgrade contract (陝西日報採編升級合同). In addition, we had also entered into the contracts with corporate integrated media, university integrated media and party official integrated media platforms such as China National Ocean Oil Journal (中國海洋石油報), Shanxi University (山西大學), Zhong Guo Ji Jian Jian Cha (中國紀檢監察雜誌社), China Tobacco Magazine (中國煙草雜誌社). The Rubik's Cube Intelligent Creator (魔方智能創作器) based on the Founder Rubik's Cube Big Model (方正魔方大模型) has been tested by more than 40 media clients across the nation, including China Net (中國網), Shanghai United Media Group (上海報業集團), Yangcheng Evening News (羊城晚報), Guangzhou Daily (廣州日報), Fuzhou Daily (福州日報), Shenyang daily (瀋陽網), Macao Daily (澳門日報), Yunnan Pu'er Integrated Media Center (雲南普洱融媒體中心), Yunnan Chuxiong Integrated Media Center (雲南楚雄融媒體中心), Ganzhou Integrated Media Center (贛州市融媒體中心), Yangzhou Press Media (揚州報業傳媒), Yuncheng Daily (運城日報社), Wuzhou Integrated Media Center (梧州市融媒體中心), China Financial and Economic News (中國財經報社), China Tax News (中國稅務報社), etc.

In the publishing market, new collaborations were established with publishing units such as People's Publishing House (人民出版社), Higher Education Press (高等教育出版社), People's Education Press (人民教育出版社), People's Medical Publishing House Co., LTD (人民衛生出版社), and Southwest Jiaotong University Press (西南交大出版社) in 2024. Especially with the signing of the "Smart Campus Cloud Sorting (智校雲讎)" project with Higher Education Press (高等教育出版社), it is the earliest application case of domestic publishing units closely integrating artificial intelligence technology with editorial and review business processes. In the first half of 2024, we also cooperated with top academic journal groups such as the Chinese Medical Doctor Association (中國醫師學會) and Foreign Language Teaching and Research Press (外研社). As of June 2024, the Founder Hongyun Academic Publishing and Cloud Service Platform (方正鴻雲學術出版雲服務平台) has served more than 1,200 academic journal users, and 100 types of new cooperative journals were added in the first half of 2024.

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 share option scheme became effective on 31 May 2016 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The Group had not granted any share options to its eligible directors and employees during the current interim period. As at 30 June 2024, the number of employees of the Group was approximately 1,039 (31 December 2023: 1,043).

FINANCIAL REVIEW

Liquidity, financial resources and capital commitments

During the current interim period, the Group generally financed its operations with internally generated resources. As at 30 June 2024, the Group had nil interest-bearing bank borrowings (31 December 2023: Nil).

As at 30 June 2024, the Group recorded total assets of HK\$1,398.8 million which were financed by liabilities of HK\$309.4 million and equity of HK\$1,089.4 million. The Group's net asset value per share as at 30 June 2024 amounted to HK\$0.91 (31 December 2023: HK\$0.92). 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\$677.2 million as at 30 June 2024 (31 December 2023: HK\$753.9 million). As at 30 June 2024, the Group's gearing ratio, measured by the ratio of total borrowings (including lease liabilities) to total shareholders' equity, was 0.2% (31 December 2023: 0.3%) while the Group's working capital ratio was 3.88 (31 December 2023: 3.39). The increase in prepayments, deposits and other receivables by 46.0% to HK\$68.9 million (31 December 2023: HK\$47.2 million) was due to increase in prepayments arising from more purchase during the current interim period. The decrease in other payables and accruals by 29.1% to HK\$146.5 million (31 December 2023: HK\$206.7 million) was due to payment of bonus during the current interim period.

As at 30 June 2024, 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 2024, the major contracts for the software development and information products distribution business amounted to approximately HK\$476.9 million (31 December 2023: HK\$329.2 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 2024.

Charges on assets

As at 30 June 2024, the Group's bank deposits of approximately HK\$4.3 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 2024. 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 2024, the Group did not have any significant contingent liabilities.

Event after the reporting period

References are made to the announcements of the Company dated 18 February 2020, 19 February 2020, 17 July 2020, 31 July 2020, 25 January 2021, 29 January 2021, 30 April 2021, 5 May 2021, 28 May 2021, 28 June 2021, 8 July 2021, 8 February 2022 and 29 December 2022 in relation to, among other things, the restructuring proposal. Unless otherwise stated, capitalized terms used herein shall have the same meanings as defined in such announcements.

The Company received a notification from the administrator of Peking University Founder Group Company Limited ("Peking Founder"), stating that the entrusted loans lent to Peking Founder would be further settled in July 2024 as to the amount of approximately RMB8.9 million (HK\$9.7 million). The Company will continue to closely monitor the subsequent development and impact of this incident and the status of entrusted loan receivables from Peking Founder.

OTHER INFORMATION

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

As at 30 June 2024, the interests and short positions of the directors in the share capital, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

Name of director	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. Shao Xing	Directly beneficially owned	12,685,556	1.05
Mr. Zhang Jian Guo	Directly beneficially owned	1,160,000	0.09

Save as disclosed above, as at 30 June 2024, none of the directors had registered an interest or short position in the shares, underlying shares or debenture of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

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

As at 30 June 2024, the following interest of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO (other than a director or chief executive of the Company):

Long positions:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
中國平安保險(集團)股份有限公司 (Ping An Insurance (Group) Company of China, Ltd.) ("Ping An")	1	Through a controlled corporation	367,179,610	30.60
中國平安人壽保險股份有限公司 (Ping An Life Insurance Company of China, Ltd.) ("Ping An Life")	2	Through a controlled corporation	367,179,610	30.60
新方正(北京)企業管理發展有限公司 (New Founder (Beijing) Enterprise Management Development Co., Ltd. *) ("New Founder (Beijing)")	3	Through a controlled corporation	367,179,610	30.60
新方正控股發展有限責任公司 (New Founder Holdings Development Co., Ltd. *) ("New Founder")	4	Through a controlled corporation	367,179,610	30.60
方正信息產業有限責任公司 (Founder Information Industry Co., Ltd. *) ("Founder Information")		Directly beneficially owned	367,179,610	30.60

Notes:

1. Ping An was deemed to be interested in the 367,179,610 shares under the SFO by virtue of its interest in Ping An Life.
2. Ping An Life was deemed to be interested in the 367,179,610 shares under the SFO by virtue of its interest in New Founder (Beijing).
3. New Founder (Beijing) was deemed to be interested in the 367,179,610 shares under the SFO by virtue of its interest in New Founder.
4. New Founder was deemed to be interested in the 367,179,610 shares under the SFO by virtue of its interest in Founder Information.

Save as disclosed above, to the best knowledge of the Company, as at 30 June 2024, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares, underlying shares and debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

* For identification purpose only

OTHER INFORMATION

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 2024.

CORPORATE GOVERNANCE

The Company has complied with all code provisions of the Corporate Governance Code contained in Appendix C1 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 2024.

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 as set out in Appendix C3 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 interim condensed consolidated financial statements for the six months ended 30 June 2024, including the accounting principles adopted by the Group, with the Company's management.

CHANGES IN INFORMATION OF DIRECTOR

Mr. Hu Bin resigned as an executive director of the Company with effect from 10 April 2024.

Mr. Li Shuo Feng was appointed as an executive director of the Company with effect from 10 April 2024.

Saved as disclosed above, there is no change in the information of each director of the Company that is required to be disclosed under Rules 13.51B(1) of the Listing Rules, since the publication of annual report for the year ended 31 December 2023.

BOARD OF DIRECTORS

As at the date of this report, the board of directors of the Company comprises executive directors of Mr. Qi Zi Xin (*Chairman*), Mr. Shao Xing (*President*), Mr. Wang Jin Chao, Mr. Zhang Jian Guo, Ms. Wu Jing and Mr. Li Shuo Feng, and the independent non-executive directors of Mr. Chan Chung Kik, Lewis, Mr. Lai Nga Ming, Edmund and Mr. Chak Chi Shing.

By Order of the Board
FOUNDER HOLDINGS LIMITED
Qi Zi Xin
Chairman

Hong Kong
27 August 2024