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FOUNDER HOLDINGS LIMITED
方正控股有限公司 *
(Incorporated in Bermuda with limited liability)
(Stock Code: 00418)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

The board of directors (the “Board”) of Founder Holdings Limited (the “Company”) is pleased to announce the consolidated results and financial position of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2023 together with the comparative figures.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
YEAR ENDED 31 DECEMBER 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
REVENUE	4	982,029	957,578
Cost of sales		<u>(497,159)</u>	<u>(467,665)</u>
Gross profit		484,870	489,913
Other income and gains	4	55,534	53,683
Selling and distribution expenses		(209,896)	(224,793)
Administrative expenses		(75,525)	(94,864)
Other expenses, net		(196,512)	(69,075)
Finance costs	5	(163)	(318)
Share of losses of associates		<u>(261)</u>	<u>(321)</u>
PROFIT BEFORE TAX	6	58,047	154,225
Income tax credit/(expense)	7	<u>1,709</u>	<u>(119,474)</u>
PROFIT FOR THE YEAR		<u>59,756</u>	<u>34,751</u>

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Attributable to:			
Owners of the parent		<u>59,756</u>	<u>34,751</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	8	<u>HK\$5.0 cents</u>	<u>HK\$2.9 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2023

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
PROFIT FOR THE YEAR	<u>59,756</u>	<u>34,751</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income/(loss) of associates	32	(216)
Exchange differences on translation of foreign operations	<u>(11,070)</u>	<u>(65,767)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods:	<u>(11,038)</u>	<u>(65,983)</u>
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	37	(1,209)
Revaluation surplus/(deficit) of land and buildings, net of tax	<u>1,265</u>	<u>(10,894)</u>
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	<u>1,302</u>	<u>(12,103)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	<u>(9,736)</u>	<u>(78,086)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>50,020</u>	<u>(43,335)</u>
Attributable to:		
Owners of the parent	<u>50,020</u>	<u>(43,335)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2023

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	9	241,898	256,312
Investment properties		128,680	138,914
Right-of-use assets		3,670	4,610
Investments in associates		2,237	2,466
Equity investments at fair value through other comprehensive income		420	383
Pledged deposits		1,742	4,284
Total non-current assets		378,647	406,969
CURRENT ASSETS			
Inventories		89,911	88,434
Trade and bills receivables	10	181,898	180,391
Contract assets		15,703	17,196
Prepayments, other receivables and other assets		47,178	55,627
Financial assets at fair value through profit or loss		946	1,081
Pledged deposits		3,113	721
Cash and cash equivalents		749,021	733,315
Total current assets		1,087,770	1,076,765
CURRENT LIABILITIES			
Trade and bills payables	11	63,402	55,597
Contract liabilities		47,965	71,887
Other payables and accruals		206,725	256,179
Lease liabilities		2,152	3,246
Tax payable		302	330
Total current liabilities		320,546	387,239
NET CURRENT ASSETS		767,224	689,526
TOTAL ASSETS LESS CURRENT LIABILITIES		1,145,871	1,096,495
NON-CURRENT LIABILITIES			
Lease liabilities		1,273	1,102
Deferred tax liabilities		44,510	45,325
Total non-current liabilities		45,783	46,427
Net assets		1,100,088	1,050,068

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	119,975	119,975
Reserves	980,113	930,093
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Total equity	1,100,088	1,050,068
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NOTES

31 DECEMBER 2023

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, land and buildings classified as property, plant and equipment, equity investments at fair value through other comprehensive income, bills receivable, and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group’s financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group’s approach and policy align with the amendments, the amendments had no impact on the Group’s financial statements.

- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 January 2022, if any. The amendments do not have any significant impact on the Group's financial statements.

- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Chinese Mainland	977,042	953,323
Hong Kong	4,626	4,128
Other	361	127
	<hr/>	<hr/>
Total revenue	982,029	957,578
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The revenue information above is based on the locations of the customers.

(b) *Non-current assets*

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Chinese Mainland	199,287	208,292
Hong Kong	174,961	191,544
Other	2,237	2,466
Total non-current assets	<u>376,485</u>	<u>402,302</u>

The non-current asset information above is based on the locations of the assets and excludes financial instruments and pledged deposits.

Information about major customers

During the year, there was no revenue derived from transactions with a single external customer which individually accounted for 10% or more of the Group's revenue (2022: Nil).

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<i>Revenue from contracts with customers</i>	977,244	953,008
<i>Revenue from other sources</i>		
Rental income from investment property operating leases	<u>4,785</u>	<u>4,570</u>
Total	<u>982,029</u>	<u>957,578</u>

Revenue from contracts with customers

(i) *Disaggregated revenue information*

For the year ended 31 December 2023	Total <i>HK\$'000</i>
Types of goods or services	
Sale of information products and software	<u>977,244</u>
Geographical markets	
Chinese Mainland	976,883
Others	<u>361</u>
Total	<u>977,244</u>
Timing of revenue recognition	
Goods transferred at a point in time	<u>977,244</u>

For the year ended 31 December 2022Total
HK\$'000**Types of goods or services**

Sale of information products and software	943,631
Sale of software development and system integration service	9,377
	<hr/>
Total	953,008
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Geographical markets

Chinese Mainland	952,881
Others	127
	<hr/>
Total	953,008
	<hr/> <hr/>

Timing of revenue recognition

Goods transferred at a point in time	943,631
Services transferred over time	9,377
	<hr/>
Total	953,008
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(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of information products and software

The performance obligation is satisfied upon delivery of information products and software and payment is generally due within 90 days from the invoice date, except for new customers, where payment in advance is normally required. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the goods' quality by the customers over a certain period as stipulated in the contracts.

Sale of software development and system integration

The performance obligation is satisfied over time as services are rendered and payment is generally due within 15 days from the invoice date. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Amounts expected to be recognised as revenue:		
Within one year	<u>45,373</u>	<u>49,560</u>

The amounts disclosed above do not include variable consideration which is constrained.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other income		
Bank interest income	13,624	8,632
Government grants (<i>note</i>)	34,683	38,757
Others	<u>7,150</u>	<u>6,197</u>
Total other income	<u>55,457</u>	<u>53,586</u>
Gains		
Gain on disposal of items of property, plant and equipment	<u>77</u>	<u>97</u>
Total other income and gains	<u>55,534</u>	<u>53,683</u>

Note: Various government grants have been received for the sale of software approved by the PRC tax authority and the development of software in Chinese Mainland. The government grants have been recognised upon sales of approved software and completion of the development of related software. There are no unfulfilled conditions or contingencies relating to these grants.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on lease liabilities	<u>163</u>	<u>318</u>

6. PROFIT BEFORE TAX

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cost of inventories sold and services provided**	502,589	461,898
Depreciation of property, plant and equipment	16,550	19,151
Depreciation of right-of-use assets	3,420	3,726
Lease payments not included in the measurement of lease liabilities	21,492	22,293
Impairment of trade receivables and contract assets*	7,781	6,525
Impairment/(reversal of impairment) of deposits and other receivables*	12	(141,859)
Loss on write-off of inventories*	1,316	1,533
(Reversal of provision)/provision for obsolete inventories**	(5,430)	5,767
Research and development costs:		
Current year expenditure*	174,001	187,157
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	217,550	243,010
Pension scheme contributions***	39,506	40,782
Total	<u>257,056</u>	<u>283,792</u>
Foreign exchange differences, net	1,827	10,907
Direct operating expenses (including repair and maintenance) arising on rental-earning investment properties	525	502
Fair value loss on financial assets at fair value through profit or loss, net*	126	–
Fair value losses on investment properties*	<u>10,126</u>	<u>11,541</u>

* These items are included in "Other expenses, net" in the consolidated statement of profit or loss.

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

*** At 31 December 2023, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2022: Nil).

7. INCOME TAX

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	–	141
Current – Chinese Mainland		
Charge for the year	9	1
Underprovision/(overprovision) in prior years	6	(4,037)
Deferred	<u>(1,724)</u>	<u>123,369</u>
Total tax (credit)/charge for the year	<u><u>(1,709)</u></u>	<u><u>119,474</u></u>

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for the first HK\$2,000,000 of assessable profits for Founder Electronics (HK) Limited which is taxed at the rate of 8.25% as Founder Electronics (HK) Limited elects the two-tiered profits tax rates in 2023 and 2022.

Taxes on profits assessable in Chinese Mainland have been calculated at the statutory PRC corporate income tax (“CIT”) rate of 25%. Certain subsidiaries of the Group are entitled to preferential tax treatments of reduction in the CIT rate to 15% or 5%.

The share of tax attributable to associates amounting to HK\$34,000 (2022: HK\$64,000) is included in “Share of losses of associates” in the consolidated statement of profit or loss.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,199,746,993 (2022: 1,199,746,993) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2023, the Group had addition of property, plant and equipment of approximately HK\$2,431,000 (2022: HK\$5,183,000), and disposal of property, plant and equipment of approximately HK\$2,000 (2022: HK\$196,000).

10. TRADE AND BILLS RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	206,346	210,326
Bills receivable	13,081	13,574
Impairment	<u>(37,529)</u>	<u>(43,509)</u>
Net carrying amount	<u>181,898</u>	<u>180,391</u>

Included in the Group's trade and bills receivables are amounts due from New Founder Holdings Development Co., Ltd. ("New Founder"), a substantial shareholder of the Company, and its subsidiaries (collectively "New Founder Group") of HK\$296,000 (2022: HK\$350,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 6 months	122,912	135,922
7 to 12 months	19,373	13,281
13 to 24 months	22,136	12,185
Over 24 months	<u>4,396</u>	<u>5,429</u>
Total	<u>168,817</u>	<u>166,817</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At beginning of year	43,509	41,662
Impairment losses, net	7,326	6,494
Amount written off as uncollectible	(12,526)	(1,960)
Exchange realignment	<u>(780)</u>	<u>(2,687)</u>
At end of year	<u>37,529</u>	<u>43,509</u>

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 or bills payment date, is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 6 months	44,699	48,307
7 to 12 months	12,601	2,698
13 to 24 months	2,741	882
Over 24 months	<u>3,361</u>	<u>3,710</u>
Total	<u><u>63,402</u></u>	<u><u>55,597</u></u>

Included in the Group's trade and bills payables are amounts due to New Founder Group of approximately HK\$113,000 (2022: HK\$402,000), which are repayable on agreed terms similar to those offered by other third party suppliers.

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days.

DIVIDEND

No interim dividend was paid during the year and previous year. The Board does not recommend the payment of any final dividend for the year (2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE

The Group reported a profit for the year ended 31 December 2023 of approximately HK\$59.8 million (year ended 31 December 2022: HK\$34.8 million). The Group's turnover for the current year increased by 2.6% to HK\$982.0 million (year ended 31 December 2022: HK\$957.6 million) due to the relaxation of COVID-19 pandemic control measures during the year ended 31 December 2023. Gross profit for the current year decreased by 1.0% to HK\$484.9 million compared with last year's HK\$489.9 million. Gross profit ratio decreased from 51.2% for the last year to 49.4% for the current year as a result of increase in proportion of sales of hardware with lower gross profit margin.

The improvement in profit for the year was mainly the net results of:

- a. an increase in other income and gains by 3.4% to HK\$55.5 million (year ended 31 December 2022: HK\$53.7 million) attributable to increase in bank interest income;
- b. a decrease in total selling and distribution expenses and administrative expenses by 10.7% to HK\$285.4 million (year ended 31 December 2022: HK\$319.7 million) as a result of the decrease in number of staff and severance payment;
- c. an increase in other operating expenses by HK\$127.4 million to HK\$196.5 million (year ended 31 December 2022: HK\$69.1 million) due to last year balance included one-off gain on reversal of the provision arising from impairment of entrusted loan to Peking University Founder Group Company Limited; and
- d. an increase in income tax credit by HK\$121.2 million to HK\$1.7 million (year ended 31 December 2022: income tax expense of HK\$119.5 million) attributable to reversal of deferred tax assets arising from impairment of assets during last year.

Basic and diluted earnings per share for the year was HK\$5.0 cents (year ended 31 December 2022: HK\$2.9 cents).

OPERATING REVIEW AND PROSPECTS

Operating Review

Font Library Business

In April 2022, an announcement was jointly published by National Press and Publication Administration (國家新聞出版署), National Radio and Television Administration (國家廣播電視總局), requesting the standardized use of Chinese characters and rejecting 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, FounderType (方正字庫) has made a number of attempts in terms of marketing methods:

- 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)”. At the “Achievement Release Conference of Beauty in Chinese Calligraphy Phase III (字美中華三期成果發佈會)”, 12 types of Exquisite Chinese Fonts were officially released, including Semi-cursive Script Font of Wang Xizhi-style (王羲之行書), Regular Script Font of Ouyang Xun-style (歐陽詢楷書), Ma Wangdui-style Silk Script Font (馬王堆帛書), Propriety stele-style Clerical Script Font (禮器碑隸書), Xiping Stone Classic-style Clerical Script Font (熹平石經隸書), Cao Quan-style Clerical Script Font (曹全碑隸書), Zhang Qian-style Clerical Script Font (張遷碑隸書), Regular Script Font of Zhiyong-style (智永楷書), The Lesser Seal Character of Li Yangbing-style (李陽冰小篆), Yi Bingshou-style Clerical Script Font (伊秉綬隸書), Semi-cursive Script Font of Wu Yuru-style (吳玉如行書), and Semi-cursive Script Font of Ouyang Zhongshi-style (歐陽中石行書). Developing Shaolin Kung Fu-style Font (少林功夫體) by the collaboration with Shaolin Temple (少林寺), including multiple foreign languages such as Japanese and Korean, and promoting “Han” character (漢字) of Chinese culture through the Global Kung Fu Competition of Shaolin Temple called “Kung Fu Techniques Competition (考功大賽)”. Based on industry trends, high-quality fonts with various styles have been launched, including Mo Chen (墨塵榜書), Regular Script Font of Meng Fanxi-style (孟繁禧楷書), Semi-cursive Script Font of Tian Boping-style (田伯平行書), Blackletter of Hao Gang-style (郝剛哥特體), Zi Black (茲黑), Flash Black (耀動黑), Runyu Yuan Song-style Font (潤玉圓宋), Regular calligraphy of Zikutang Bamboo (字酷堂竹堂楷), Avant-garde black of Yoonche (Yoonche 前衛黑), Ming Dynasty Blackletter of VDL (VDL哥特明朝) and Anvil Book Circle (砧書圓). In 2023, a total of 468 fonts were released throughout the year. At the same time, we created customized fonts for enterprises and brands including Vivo, Douyin (抖音), HEYTEA (喜茶), Ctrip (攜程旅行), FAW Toyota CROWN (一汽豐田皇冠) to help themselves refresh and upgrade their brands, and convey brand’s message.

- 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 other key projects of font customization. The OpenType Font Replacement Technology was adopted in the Semi-cursive Script Font library of Wang Xizhi-style of Founder (方正王羲之行書字庫), achieving for the first time the implementation of one character with multiple forms in the Chinese font library. The most commonly used “zhi” character (「之」字) provided a total of 50 various font types written by Wang Xizhi. Continuing to deepen research on variable font technology and adopt “Dynamic Visual Font (動態視覺字號)” and “Intelligent Typesetting Engine (智能排版引擎)” in the Vivo Sans custom font project. Through two-dimensional variable visual font and font weight, as well as overall typesetting quality improvement from character spacing to paragraph alignment, we created a high-quality screen reading experience.
- 3) Marketing and service aspect: On the basis of consolidating and expanding the cooperation with major corporate clients, we strengthened the customer service, and increased collaboration with design companies and advertising firms. We participated in the formulation of GB18030 National Standards (GB18030國家標準制定), and the Founder Population Information GB18030 Super Large Font Solution (方正人口信息 GB18030超大字庫解決方案) has been adopted by many financial institutions to help to solve the problem of uncommon words in the names of people or places. We continued to push forward the development of the comprehensive service system from the official website of mobile APP of FounderType and “Font + (字加)” to the PC client end of “Font +” and the PC client end of FounderType.
- 4) Market promotion aspect: Both online and offline efforts were made by us simultaneously. At the live events of the 4th FounderType China Design Exhibition (方正字庫第四屆中國設計大展), Alibaba U Design Week (阿里巴巴U設計周), 9th China International Copyright Expo (第九屆中國國際版權博覽會), and 2023 Font Ecological Design Exhibition (2023字生態設計展), we vividly presented the modern interpretation and aesthetic design of texts. We convened the “Future created by Fonts: Founder Font Design Conference 2023 (「字創未來：方正2023字體設計大會」)” to publish the “2023 Font Trend Report (《2023字體趨勢報告》)”, and to launch the national tour of “Light and Shadow of Fonts (「文字光影」)” (at Beijing, Shenzhen, Shanghai) so as to explore the inheritance and innovation of Chinese “Han” characters writing in the information era; “The press release of Beauty in Chinese Calligraphy-Exquisite Chinese Font Library Project Charity Program III (「字美中華－中華精品字庫工程公益應用計劃第三期發佈會」)” had released 12 latest calligraphy fonts as the achievements, including Semi-cursive Script Font of Wang Xizhi-style (王羲之行書), Regular Script Font of Ouyang Xun-style (歐陽詢楷書). We also launched the “Cultural and Creative Cross-creation Plan of Exquisite Chinese Font Library (中華精品字庫文創聯名共創計劃)”, and participated in the China-Chic Market (國潮市集) of “Youyou Search • Crispy Youth Health (呦呦物色•脆皮青年養生局)” to integrate the beauty of calligraphy into public life. China Central Television’s “Chinese Calligraphy Conference (《中國書法大會》)” program fully used the fonts of “Exquisite Chinese Font Library Project (中華

精品字庫工程)” in its subtitles, and filmed the development process of Founder’s Wang Xizhi-style Semi-cursive Script Font (方正王羲之行書), helping to spread the excellent traditional Chinese culture. We also held the “Future created by Fonts: Launching Ceremony of the 12th Founder Award Design Competition (字創未來：第十二屆「方正獎」設計大賽啟動儀式)” and “Founder’s Choice (《方正之選》)” activities; Alibaba Health 2.0 is permanently open for free download, aiming to support public welfare by technology and to promote the construction of an accessible environment.

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

In 2023, China is in the recovery stage after the end of the epidemic, and the overall situation of China’s printing and recording media replication industry (“Printing Industry”) remained stable, but has not yet returned to the high-speed growth state before the epidemic. From January to November 2023, China’s Printing Industry achieved a total profit of CNY31.7 billion, a year-on-year increase of 0.1%. Although the overall economic environment is in a relatively downturn cycle, it is certain that the high-speed inkjet technology in the Printing Industry will replace traditional offset printing in the medium to long term. Therefore, Beijing Founder EasiPrint Digital Technical Co., Ltd.* (北京方正印捷數碼技術有限公司) (“Founder EasiPrint”), a wholly-owned subsidiary of the Company, continues to deepen its technological research and advance.

At the Innovation and Development Conference of China Printing Industry (中國印刷業創新發展大會) held in Jinan, Shandong Province in 2023, the first batch of 24 national printing showcase enterprises and pilot units for digital development and reform of the Printing Industry were announced. Founder EasiPrint has been selected as a “Pilot unit for digital development and reform in the Printing Industry (印刷業數字化發展改革試點單位)”, and has been listed as one of the eight pilot units for “Intelligent manufacturing testing lines (智能製造測試線試點單位)”. In the future, Founder EasiPrint will work together with other selected manufacturers, under the unified leadership of the National Press and Publication Administration (新聞出版總署), to promote the digital development and reform of China’s Printing Industry.

In terms of product research and development, new products such as Founder EagleJet (方正桀鷹) P6600CHD 3.0, Founder EagleJet High Speed Single Sheet Fed Inkjet Printer S330 (方正桀鷹單張紙高速噴墨印刷機S330)”, Founder EagleJet (方正桀鷹) P6600CHD-33 and “Founder Changliu Inkjet version 7.0 (方正暢流噴墨版7.0)” had been successively completed for the research and development. These products were shown at the 5th China (Guangdong) International Printing Technology Exhibition (Print China 2023) (第五屆中國(廣東)國際印刷技術展覽會) held in April and the 9th China International All Print Exhibition (第九屆中國國際全印展) held in November, and had received enthusiastic market feedback. Before and after the two large-scale printing exhibitions, new equipment such as Founder

EagleJet P6600CHD (方正桀鷹P6600CHD) and Founder EagleJet S330 (方正桀鷹S330) were extensively installed and applied at customer locations, providing high-quality, high-capacity, and cost-effective production tools for the clients of commercial printing and book printing in the short edition production field of less than 3,000 copies. Although the first batch of clients who purchased equipment and put it into production in the first half of the year discovered many new problems and demands during the production process, as of August 2023, most of these problems had been properly resolved, and the new product requirements have been basically achieved through on-site equipment improvement or integration into the subsequent production system. At the same time, Founder Changliu Inkjet version 7.0 (方正暢流噴墨版7.0)", the digital workflow software specifically designed for inkjet printing production, will also undergo extensive user testing by new users in the second half of 2023. At the end of December 2023, the testing work of Founder Changliu Inkjet version 7.0 (方正暢流噴墨版7.0)", which can integrate RIP cores in large quantities, is nearing completion. It is expected to be configured in all automatic inkjet printing equipment in the future to achieve differentiated competition with competitors in the market.

In terms of sales, in the first half of 2023, with the relieve restriction of the epidemic and the industry's expectation of a return to high-speed economic growth, the domestic high-speed inkjet printing equipment market was booming, and Founder EasiPrint achieved the growth of sales and installed capacity of over 80% year-on-year. However, in the second half of 2023, following by the domestic economy declined, the industry revised its optimistic attitude towards the future economic prospect, resulting in a decline in equipment sales in the third and fourth quarters. But after November 2023, the market environment has once again warmed up, and we look forward to the continued trend of recovery in the future. In 2023, it was the first time that Founder EasiPrint achieved the export of large-scale inkjet printing equipment to Europe and Southeast Asia. Although it has not yet formed a batch of volume, taking this as a starting point will be an important direction for the future international market development of Founder EasiPrint's printing equipment and software business.

In terms of market promotion, in the first half of 2023, Founder EasiPrint released the Founder EagleJet P6600 CHD 3.0 High-definition Color Inkjet Rotary Printing Machine (方正桀鷹P6600 CHD 3.0高清彩色噴墨輪轉印刷機) at the 5th China (Guangdong) International Printing Technology Exhibition (Print China 2023) (第五屆中國(廣東)國際印刷技術展覽會), and displayed 9 new software and hardware inkjet printing products, attracting a large number of visitors of exhibition. In the second half of 2023, Founder EasiPrint announced the Founder EagleJet P6600 CHD-33 High-definition Color Inkjet Rotary Printing Machine (方正桀鷹P6600 CHD-33高清彩色噴墨輪轉印刷機) at the 9th China International All Print Exhibition (第九屆中國國際全印展), which became a popular product with gaining great attention at the booth of 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. In addition, two hardware products, including the Founder EagleJet S330 Single Sheet Inkjet Printer (方正桀鷹S330單張紙噴墨印刷機), and software products and solutions such as Founder Changyi Intelligent Detection Solution (方正暢易智能檢測解決方案) and Founder Changliu Digital Version (方正暢流數碼版), were also exhibited. At the main forum of this exhibition, the "Printing Innovation and Development Forum 2023 (2023印刷創新發展論壇)", Mr. Shao Xing, the Chairman and

President of Founder Electronics, attended and shared the innovative achievements and future paths of national printing enterprises represented by Founder Electronics, actively promoting the development of inkjet technology in China, with the theme of “Deepening Inkjet Technology and Leading the Innovative Development in the Printing Industry (《深耕噴墨技術，引領印刷業創新發展》)”. During the exhibition, he was interviewed by China Central Television’s “Morning News Worldwide (《朝聞天下》)” program. The Founder EagleJet P5600/4400HD High-Definition Black and White Inkjet Digital Printing Machine (方正桀鷹 P5600/4400HD 高清黑白噴墨數字印刷機) won the award of “China Printing User Positive Equipment 2023 (2023 中國印刷用戶好評裝備)”.

Media Business

In terms of macro policy, focusing on media integration, in April 2022, 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 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 should build a new communication platform, grasp the mobile trend, stick to local reality, 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 optimizing account layout, 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. As of the end of 2022, nearly 90% of the 60 municipal-level integrated media centers in China had completed the integration of reporting mechanism. The municipal-level integrated media centers took the opportunity of promoting in-depth media integration to accelerate the focus of resource allocation towards the Internet, especially mobile platforms, and fully advanced into the main

battlefield and occupy new positions of media. In 2023, municipal-level integrated media centers will gradually promote platform construction through using mobile apps as the first release platform for mobile devices, building a comprehensive media matrix, establishing multiple communication channels, and striving to create a new type of mainstream media with strong influence and competitiveness. We will actively participate in the modernization of social governance, and integrate into social governance sectors such as smart city construction, and to explore the integration of new business formats. According to the deployment of the Plan promulgated by the three ministries and commissions including the Publicity Department of the CPC Central Committee, the Central Publicity Department (中央宣傳部) and National Radio and Television Administration (國家廣播電視總局) had organized the demonstration of five technical standards and specifications, including the “Overall Technical Specifications for Municipal-Level Financial Media Centers (《市級融媒體中心總體技術規範》)”, “The Data Specifications for Municipal-Level Financial Media Centers (《市級融媒體中心數據規範》)”, “The Interface Specifications for Municipal-Level Financial Media Centers (《市級融媒體中心接口規範》)”, “The Basic Requirements for Network Security Protection of Municipal-Level Financial Media Centers (《市級融媒體中心網絡安全防護基本要求》)”, and “the Compliance Evaluation Method for the Technical System of Municipal-Level Financial Media Centers (《市級融媒體中心技術系統合規性評估方法》)”, which were released in February 2023. These provided a standard for the construction of platforms of municipal-level integrated media centers. In March 2023, the first session of the 14th National People’s Congress (十四屆全國人大一次會議) added “Solidly promoting the in-depth media integration (紮實推進媒體深度融合)” in the government work report, accelerating the media integration. 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. “OSTheory (《求是》雜誌社)”, the official magazine publication, published the important article namely “Realize the high-level technological self-reliance and self-improvement by strengthening the fundamental research (《加強基礎研究實現高水平科技自立自強》)” issued by the General Secretary Xi Jinping in 2023, which pointed out the key points for the development of scientific and technological journals, focusing on building a world-class support platform for scientific and technological journals. 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. These policies will significantly promote the digital transformation of the publishing industry and establish a new system of integrated content, collaborative production and dissemination.

From the trend of technological evolution, artificial intelligence, big data and other related technologies have begun to be continuously applied in the development of media integration and publishing integration. In particular, generative artificial intelligence represented by big models has begun to penetrate into various industries, triggering a new round technology revolution of artificial intelligence. The artificial intelligence technology and applications represented by AIGC will bring innovative applications in the media publishing industry, focusing on content intelligent creation, content intelligent editing, content intelligent review, etc., and utilizing technologies such as AIGC to enhance content productivity.

1) Product and solution:

For in-depth media integration: In the first half of 2023, a new generation of intelligent media Open platform “Founder Skylark Cloud Media Integration Platform (方正雲雀融媒體平台)” was launched. 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. The agile iterative research and development model continuously improves the intelligence and 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, comprehensive planning and interview, comprehensive compilation and editing and distribution from various ends through the assistance of data middle platform and Artificial intelligence middle platform. It can then support with the digitalization and intelligence of different application scenarios, including planning, interview, compilation, editing, publishing and distribution (策採編審發傳). In the second half of 2023, Founder Electronics officially released the Founder Rubik’s Cube Media Big Model (方正魔方媒體大模型), and also launched the Founder Rubik’s Cube Intelligent Creator (方正魔方智能創作器) (AIGC Content Production Tool) based on the Founder Rubik’s Cube Media Big Model. The Founder Rubik’s Cube Media Big Model is based on multiple universal big models and is constructed using technologies such as secondary training, instruction fine-tuning, and reinforcement learning based on industry common data and media private data. It provides services in the media big model field, such as assisted creation, intelligent response and retrieval, multimodal services, and content risk control, empowering media integration with technological innovation.

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 software products for joint compilation, smart review, XML automatic typesetting, knowledge service and content production. In the first half of 2023, Founder Smart Review Version 4.0 (方正智能審校4.0版本) was released to

comprehensively improve 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, as well as image, audio and video review capabilities. In the first half of the year, we will continue to improve the collaborative editing platform based on the SaaS service model and provide SaaS services mode to small and medium-sized publishing clients. In the second half of 2023, we developed an editing and review assistant based on big model, which equipped with artificial intelligence big models, providing functions such as intelligent editing and review assistance, auxiliary topic planning and artificial intelligence generated content (AIGC). Facing the academic journal market, in the second half of 2023, 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) was officially launched. The platform is mainly characterized by integration, clustering, internationalization, intelligence, and datamation, serving the journal groups to create a full process digital publishing platform, promoting the intensive and clustered development of scientific and technological journals, improving the quality of academic publishing and integrate into the international academic ecosystem, and enhancing the international influence and dissemination, so as to assist in the construction of digital infrastructure for academic journals in China.

2) Business model:

We are committed to actively promoting the transformation from software solution to authorization service, SaaS service, software service and data service. In 2023, the proportion in relation to the revenue of service-oriented business accounted for over 40%. 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 2023, 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), Command Technology (Zhejiang) Co., of Zhejiang daily (浙江日報傳播大腦科技(浙江)股份有限公司), Yunnan Daily Press Group (雲南日報報業集團), Hangzhou Daily Newspaper Group (杭州日報報業集團), Yinchuan News Media Center (銀川新聞傳媒中心), Hohhot Radio and Television Station (呼和浩特廣播電視台), Modern Express (現代快報), Ulanqab Integrated Media Centers (烏拉察布融媒體中心), Daqing Daily (大慶日報社), 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), Sichuan Ya'an Integrated Media Center (四川雅安融媒體中心), Hubei Yichang Three Gorges Integrated Media Center (湖北宜昌三峽融媒體中心). In addition, we had also entered into the contracts

with corporate integrated media, university integrated media and party official integrated media platforms such as the Pipe China (國家石油天然氣管網集團), China National Aviation Holding Corporation Limited (中國航空傳媒有限責任公司), Everrising Holdings Co., Ltd. (永卓控股有限公司), Media Corporation of CHN Energy (國家能源集團傳媒公司), Media Centre of China Pingmei Shenma Holding Co., Ltd (中國平煤神馬控股集團有限公司新聞中心), Yunnan University (雲南大學), Hebei Institute of Communications (河北傳媒學院), Xiamen Ocean Vocational College (廈門海洋職業學院), JiNing Normal University (集寧師範學院), Yunnan's "Yunling Pioneer" (雲南《雲嶺先鋒》), Jiangxi "Contemporary Jiangxi" (江西《當代江西》). In 2023, 12 integrated media platform projects contracted to build or to participate to build by Founder Electronics won the first, second, and third prizes of the "Wang Xuan News, Science and Technology Award 2023 (2023年王選新聞科學技術獎)" project respectively, including three first prizes, seven second prizes, and two third prizes. Founder Electronics won the "China Newspaper Technology Innovation Enterprise Award 2023 (2023中國報業技術創新企業獎)" at the China Newspaper Technology Annual Conference 2023 (2023中國報業技術年會), and its co-construction project with media units such as China Youth Daily (中國青年報社), Heilongjiang Daily (黑龍江日報), Yinchuan News and Media Center (銀川市新聞傳媒中心), and Xiangyang Daily (襄陽日報社) was selected as the "Innovation" Cases of National Media Integration Technology Application for 2021–2022 (2021–2022年度全國媒體融合技術應用) and the "Top 10" Cases of National Media Integration Technology Application for 2021–2022.

In the publishing market of publishing groups, new collaborations were reached in 2023 with Shanghai Century Publishing Group (上海世紀出版集團), Jiangsu Phoenix Publishing & Media Group (江蘇鳳凰出版傳媒集團), Zhejiang Publishing United Group (浙江出版聯合集團), Jilin Publishing Group (吉林出版集團), Shandong Publishing Group (山東出版集團), Higher Education Press (高等教育出版社), Peoples Education Press (人民教育出版社), CITIC Press Group (中信出版社), People's Medical Publishing House Co., LTD (人民衛生出版社), etc.. At the 12th China Digital Publishing Expo (第十二屆中國數字出版博覽會), Founder Electronics won two awards: "Excellent Digital Technology Service Provider (優秀數字技術服務商)" and "Excellent Exhibition Unit (優秀展示單位)". At the same time, Founder Electronics "Collaborative Compilation System (協同編纂系統)" won the "Outstanding Case of Publishing Integration Development (出版融合發展優秀案例)" award at the 6th Digital Publishing Innovation Forum of the Digital Publishing Expo (第六屆數字出版創新論壇).

In the academic journal market, "Founder Hongyun Academic Publishing Cloud Service Platform (方正鴻雲學術出版雲服務平台)" had served nearly 1,100 academic journal publishers at the end of 2023. In 2023, we expanded and provided the services to over 200 new clients of academic journals.

PROSPECTS

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

EMPLOYEES

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

As at 31 December 2023, the number of employees of the Group was 1,043 (31 December 2022: 1,088).

FINANCIAL REVIEW

Liquidity, financial resources and capital commitments

During the year, the Group generally financed its operations with internally generated resources. As at 31 December 2023, the Group had no interest-bearing bank borrowings (31 December 2022: Nil).

As at 31 December 2023, the Group recorded total assets of HK\$1,466.4 million which were financed by liabilities of HK\$366.3 million and equity of HK\$1,100.1 million. The Group's net asset value per share as at 31 December 2023 amounted to HK\$0.92 (31 December 2022: HK\$0.88). The increase in net asset value per share was due to net effect of profit, exchange differences arising from translation of foreign operations and revaluation surplus of land and buildings during the year.

The Group had total cash and bank balances (including pledged deposits and cash and cash equivalents) of HK\$753.9 million as at 31 December 2023 (31 December 2022: HK\$738.3 million). As at 31 December 2023, the Group's gearing ratio, measured by the ratio of total borrowings (including lease liabilities) to total shareholders' equity, was 0.3% (31 December 2022: 0.4%) while the Group's working capital ratio was 3.39 (31 December 2022: 2.78). The decrease in prepayments, deposits and other receivables by 15.2% to HK\$47.2 million

(31 December 2022: HK\$55.6 million) was due to decrease in prepayments arising from less purchase during the year. The decrease in other payables and accruals by 19.3% to HK\$206.7 million (31 December 2022: HK\$256.2 million) was due to decrease in accrued salaries and bonus as a result of decrease in number of staff.

As at 31 December 2023, 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 ("HKD"), RMB and United States Dollars ("U.S. dollars"). Surplus cash is generally placed in banks as short term deposits denominated in HKD, RMB and U.S. dollars.

Exposure to fluctuations in exchange rates and related hedges

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

Contracts

As at 31 December 2023, the major contracts in hand amounted to approximately HK\$329.2 million (31 December 2022: HK\$260.8 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 year ended 31 December 2023.

Charges on assets

As at 31 December 2023, the Group's investment properties in Hong Kong of approximately HK\$65.7 million and bank deposits of approximately HK\$4.9 million were pledged to banks to secure banking facilities granted.

Future plans for material investments or capital assets

The Group did not have any concrete future plans for material investments or capital assets as at 31 December 2023. However, the Group always seeks for new investment opportunities in the software development and system integration business to broaden the revenue and profit base of the Group and enhance shareholders' value in the long term.

Contingent liabilities

At 31 December 2023, the Group did not have any significant contingent liabilities.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the accounting policies, accounting standards and practices adopted by the Group and the consolidated financial statements and results of the Group for the year ended 31 December 2023.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has fully complied with all the code provisions as set out in the Corporate Governance Code, contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), throughout the year ended 31 December 2023, except for the following deviation:

Code Provision F.2.2 of Corporate Governance Code provides that the chairman of the Board should attend annual general meetings of the Company and should also invite the chairmen of the audit committee, remuneration committee, nomination committee and any other committees (as appropriate) of the Company to attend. Mr. Cheung Shuen Lung, the former Chairman of the Board, chairman of the nomination committee and member of the remuneration committee of the Company, was absent from the annual general meeting of the Company held on 25 May 2023 ("2023 AGM") due to health reason. To ensure smooth proceeding of the 2023 AGM and answer questions from shareholders, the President of the Company took the chair of the 2023 AGM. Other members of the Board, members of the nomination committee, and chairman and members of the remuneration committee of the Company were present at the 2023 AGM.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by directors of Listed Issuers (the “Model Code”) set out in Appendix C3 of the Listing Rules as the Company’s code of conduct and rules governing dealings by all directors in the securities of the Company. Upon being made specific enquiries by the Company, all directors of the Company confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2023.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the year.

SCOPE OF WORK OF ERNST & YOUNG ON THE ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the annual results announcement of the Group’s results for the year ended 31 December 2023 have been agreed by the Group’s auditors, Ernst & Young, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on the annual results announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of The Hong Kong Exchanges and Clearing Limited (the “Stock Exchange”) (www.hkexnews.hk) and the Company (www.irasia.com/listco/hk/founder). The 2023 annual report of the Company containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board
Founder Holdings Limited
Qi Zi Xin
Chairman

Hong Kong, 26 March 2024

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

* For identification purpose only