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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 2022

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 2022 together with the comparative figures.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
YEAR ENDED 31 DECEMBER 2022

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
REVENUE	4	957,578	1,073,838
Cost of sales		<u>(467,665)</u>	<u>(558,748)</u>
Gross profit		489,913	515,090
Other income and gains	4	53,683	74,319
Selling and distribution expenses		(224,793)	(249,317)
Administrative expenses		(94,864)	(88,790)
Other expenses, net		(69,075)	(207,946)
Finance costs	5	(318)	(169)
Share of (losses)/profits of associates		<u>(321)</u>	<u>11</u>
PROFIT BEFORE TAX	6	154,225	43,198
Income tax (expense)/credit	7	<u>(119,474)</u>	<u>286</u>
PROFIT FOR THE YEAR		<u>34,751</u>	<u>43,484</u>

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Attributable to:			
Owners of the parent		34,751	43,484
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	8	HK2.9 cents	HK3.6 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
PROFIT FOR THE YEAR	<u>34,751</u>	<u>43,484</u>
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of associates	(216)	(119)
Exchange differences on translation of foreign operations	<u>(65,767)</u>	<u>20,215</u>
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	<u>(65,983)</u>	<u>20,096</u>
Other comprehensive 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	(1,209)	(172)
Revaluation deficit of land and buildings, net of tax	<u>(10,894)</u>	<u>(16,255)</u>
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	<u>(12,103)</u>	<u>(16,427)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	<u>(78,086)</u>	<u>3,669</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	<u>(43,335)</u>	<u>47,153</u>
Attributable to:		
Owners of the parent	<u>(43,335)</u>	<u>47,153</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	9	256,312	309,469
Investment properties		138,914	146,969
Right-of-use assets		4,610	6,257
Investments in associates		2,466	3,003
Equity investments at fair value through other comprehensive income		383	1,667
Intangible assets		–	–
Deferred tax assets		–	130,753
Pledged deposits		4,284	2,510
Total non-current assets		406,969	600,628
CURRENT ASSETS			
Inventories		88,434	110,150
Trade and bills receivables	10	180,391	165,054
Contract assets		17,196	15,026
Prepayments, deposits and other receivables		55,627	71,014
Financial assets at fair value through profit or loss		1,081	1,194
Pledged deposits		721	4,580
Cash and cash equivalents		733,315	599,166
Total current assets		1,076,765	966,184
CURRENT LIABILITIES			
Trade and bills payables	11	55,597	64,169
Contract liabilities		71,887	70,983
Other payables and accruals		256,179	273,510
Lease liabilities		3,246	4,261
Tax payable		330	4,511
Total current liabilities		387,239	417,434
NET CURRENT ASSETS		689,526	548,750
TOTAL ASSETS LESS CURRENT LIABILITIES		1,096,495	1,149,378

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Lease liabilities	1,102	1,451
Deferred tax liabilities	45,325	54,524
	<hr/>	<hr/>
Total non-current liabilities	46,427	55,975
	<hr/>	<hr/>
Net assets	1,050,068	1,093,403
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	119,975	119,975
Reserves	930,093	973,428
	<hr/>	<hr/>
Total equity	1,050,068	1,093,403
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NOTES

31 DECEMBER 2022

1. BASIS OF PREPARATION

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the “Conceptual Framework”) issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. Prior to the initial application of the amendments, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and none of them was onerous. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of 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*

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Mainland China	953,323	1,069,224
Hong Kong	4,128	4,486
Others	127	128
	<u>957,578</u>	<u>1,073,838</u>

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

(b) *Non-current assets*

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Mainland China	208,292	252,091
Hong Kong	191,544	210,571
Others	2,466	3,036
	<u>402,302</u>	<u>465,698</u>

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

Information about major customers

During the year, there was no revenue derived from transactions with a single external customer which individually accounted for 10% or more of the Group's revenue (2021: Nil).

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers	953,008	1,068,862
Revenue from other sources		
Rental income from investment property operating leases	4,570	4,976
	<u>957,578</u>	<u>1,073,838</u>

Revenue from contracts with customers

(i) *Disaggregated revenue information*

For the year ended 31 December 2022

**Total
*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

Total revenue from contracts with customers 953,008

Geographical markets

Mainland China	952,881
Others	127

Total revenue from contracts with customers 953,008

Timing of revenue recognition

Goods transferred at a point in time	943,631
Services transferred over time	9,377

Total revenue from contracts with customers 953,008

For the year ended 31 December 2021Total
HK\$'000**Types of goods or services**

Sale of information products and software	1,056,196
Sale of software development and system integration service	12,666

Total revenue from contracts with customers	<u>1,068,862</u>
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Geographical markets

Mainland China	1,068,734
Others	128

Total revenue from contracts with customers	<u>1,068,862</u>
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Timing of revenue recognition

Goods transferred at a point in time	1,056,196
Services transferred over time	12,666

Total revenue from contracts with customers	<u>1,068,862</u>
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The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2022 HK\$'000	2021 HK\$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of information products and software	47,576	52,074
Sale of software development and system integration service	70	3,897
	<u>47,646</u>	<u>55,971</u>

(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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Amounts expected to be recognised as revenue:		
Within one year	49,560	108,636
After one year	–	871
	<u>49,560</u>	<u>109,507</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other income		
Bank interest income	8,632	7,301
Government grants (<i>note</i>)	38,757	52,253
Others	6,197	5,108
	<u>53,586</u>	<u>64,662</u>
Gains		
Gain on disposal of items of property, plant and equipment	97	52
Fair value gains on structured deposits	–	1,046
Foreign exchange differences, net	–	4,366
Fair value gains on investment properties	–	3,810
Fair value gains on financial assets at fair value through profit or loss	–	383
	<u>97</u>	<u>9,657</u>
	<u>53,683</u>	<u>74,319</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 Mainland China. The government grants have been recognised upon sales of approved software and completion of the development of related software. There are no unfulfilled conditions or contingencies relating to these grants.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on lease liabilities	<u>318</u>	<u>169</u>
	<u>318</u>	<u>169</u>

6. PROFIT BEFORE TAX

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Auditor's remuneration	2,702	2,560
Cost of inventories sold and services provided**	461,898	549,730
Depreciation of property, plant and equipment	19,151	20,188
Depreciation of right-of-use assets	3,726	2,687
Lease payments not included in the measurement of lease liabilities	22,293	24,720
Impairment/(reversal of impairment) of trade receivables and contract assets*	6,525	(2,735)
(Reversal of impairment)/impairment of deposits and other receivables*	(141,859)	1,590
Loss on write-off of inventories*	1,533	7,427
Provision for obsolete inventories**	5,767	9,018
Research and development costs:		
Current year expenditure*	187,157	191,030
Employee benefit expenses (including directors' and chief executive's remuneration):		
Wages and salaries	243,010	263,037
Pension scheme contributions***	<u>40,782</u>	<u>43,767</u>
	<u>283,792</u>	<u>306,804</u>
Foreign exchange differences, net	10,907	(4,366)
Direct operating expenses (including repair and maintenance) arising on rental-earning investment properties	502	531
Fair value gains on financial assets at fair value through profit or loss, net	–	(383)
Fair value losses/(gains) on investment properties	11,541*	(3,810)
Fair value gains on structured deposits	<u>–</u>	<u>(1,046)</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 2022, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2021: Nil).

7. INCOME TAX

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	141	111
Current – Mainland China		
Charge for the year	1	692
(Overprovision)/underprovision in prior years	(4,037)	3,042
Deferred	<u>123,369</u>	<u>(4,131)</u>
Total tax charge/(credit) for the year	<u><u>119,474</u></u>	<u><u>(286)</u></u>

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the 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 2022 and 2021.

Taxes on profits assessable in Mainland China have been calculated at the statutory PRC corporate income tax (“CIT”) rate of 25%. Certain subsidiaries of the Group are entitled to preferential tax treatments of reduction in the CIT rate to 15% or 2.5%.

The share of tax attributable to associates amounting to positive HK\$64,000 (2021: negative HK\$2,000) is included in “Share of (losses)/profits 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 amount 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 (2021: 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 2022 and 2021.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2022, the Group had addition of property, plant and equipment of approximately HK\$5,183,000 (2021: HK\$9,911,000), and disposal of property, plant and equipment of approximately HK\$196,000 (2021: HK\$1,758,000).

10. TRADE AND BILLS RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	210,326	190,509
Bills receivable	13,574	16,207
Impairment	<u>(43,509)</u>	<u>(41,662)</u>
	<u>180,391</u>	<u>165,054</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Payment is generally due within 90 days from the invoice date. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

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\$350,000 (2021: due from Peking University Founder Group Company Limited ("Peking Founder") and its subsidiaries (collectively "Peking Founder Group") of HK\$201,000), 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 6 months	135,922	116,313
7 to 12 months	13,281	11,133
13 to 24 months	12,185	17,464
Over 24 months	<u>5,429</u>	<u>3,937</u>
	<u>166,817</u>	<u>148,847</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At beginning of year	41,662	49,612
Impairment/(reversal of impairment) losses, net	6,494	(680)
Amount written off as uncollectible	(1,960)	(8,226)
Exchange realignment	<u>(2,687)</u>	<u>956</u>
At end of year	<u>43,509</u>	<u>41,662</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on the ageing of groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The increase in the loss allowance of HK\$1,847,000 was a result of an increase in credit risk exposure of age groups. The individually impaired trade receivables are related to customers that were credit-impaired or in default of payments and no receivable is expected to be recovered.

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 6 months	48,307	54,028
7 to 12 months	2,698	3,697
13 to 24 months	882	1,956
Over 24 months	3,710	4,488
	<u>55,597</u>	<u>64,169</u>

Included in the Group's trade and bills payables are amounts due to New Founder Group of approximately HK\$402,000 (2021: due to Peking Founder Group of approximately HK\$915,000), 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 (2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE

The Group reported a profit for the year ended 31 December 2022 of approximately HK\$34.8 million (year ended 31 December 2021: HK\$43.5 million). The Group's turnover for the current year decreased by 10.8% to HK\$957.6 million (year ended 31 December 2021: HK\$1,073.8 million) due to the temporary shutdown of certain factories, disruptions in logistics, delay in execution and performance of certain sales contracts, and reduction in the demand for font library, media and printing products under the impact of COVID-19 pandemic and the relevant restrictive measures during the year ended 31 December 2022. Gross profit for the current year decreased by 4.9% to HK\$489.9 million compared with last year's HK\$515.1 million. Gross profit ratio increased from 48.0% for the last year to 51.2% for the current year as a result of increase in proportion of sales of font library business with higher gross profit margin.

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

- a. a decrease in the gross profit by 4.9% to approximately HK\$489.9 million (year ended 31 December 2021: HK\$515.1 million);
- b. a decrease in other income and gains by 27.8% to HK\$53.7 million (year ended 31 December 2021: HK\$74.3 million) attributable to the decrease in government grants received for the sale of software approved by the PRC tax authority and the development of software in Mainland China as a result of decrease in sales of software, decrease in foreign exchange gains and decrease in fair value gains on investment properties;
- c. a decrease in total selling and distribution expenses, administrative expenses and other operating expenses by 28.8% to HK\$388.7 million (year ended 31 December 2021: HK\$546.1 million) as a result of (i) one-off gain on reversal of the provision arising from impairment of entrusted loan to Peking University Founder Group Company Limited; and (ii) the decrease in operating expenses along with the decrease in revenue during the year; and
- d. an increase in income tax expense to HK\$119.5 million (year ended 31 December 2021: income tax credit of HK\$0.3 million) attributable to reversal of deferred tax assets arising from impairment of assets.

Basic and diluted earnings per share for the year was HK2.9 cents (year ended 31 December 2021: HK3.6 cents).

OPERATING REVIEW AND PROSPECTS

Operating Review

Font Library Business

In April 2022, an announcement is jointly published by National Press and Publication Administration, National Radio and Television Administration, requesting standardized use of Chinese characters and reject ugly fonts. Meanwhile, with increasingly intense competition in the industry, new font design companies and individual font designers came into the font library market one after another. In order to meet the ever-changing demand for fonts across all sectors of society and to cope with fierce domestic and overseas competition, 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”, and take the development of classical calligraphy of past dynasties as a major focus. According to the planning, Wang Xizhi-style Semi-cursive Script Font (王羲之行書), Ouyang Xun-style Regular Script Font (歐陽詢楷書), Mao Gongding-style Golden Script Font (毛公鼎金文), Ma Wangdui-style Silk Script Font (馬王堆帛書), Propriety stele-style Clerical Script Font (禮器碑隸書), Ouyang Zhong-style Stone Semi-cursive Script Font (歐陽中石行書), etc., will be developed in “Exquisite Chinese Font Library Project (中華精品字庫工程)”. Based on our analysis of industry trends, we released several high-quality fonts with different style as our key products, which included the “Chinese Regular-style Script Font (漢文正楷)”, “Grassland-style Font (草原體)”, “Carved Song-style Font (雕版宋)”, “Slogan Style Font (標語體)”, “Majestic Style Font (威武體)”, “Yun fluid-style Font (雲流體)”, “Suhei-style Font (速黑)”, and “Yashi Song-style Font (雅士宋)”. And the classical fonts such as “Xingkai-style Font (行楷)”, “Elegance Song-style Font (風雅宋)”, “Yue Song-style Font of Qing Dynasty engraved version (清刻本悅宋)”, “Beauty-style Font in the Song Dynasty engraved version (宋刻本秀楷)”, “Liu Gongquan-style Regular Script Font (柳公權楷書)”, and “Twittering Song-Style Font (呢喃宋)” have been expanded into family font system. Throughout 2022, we added a total of 317 Chinese fonts to our product portfolio. In addition, we have launched 8 braille fonts, including FZ MangWen-style, “Founder Braille Lanting Black Pro family-style (方正盲文蘭亭黑Pro家族)”, “Founder Braille Lanting Round family-style (方正盲文蘭亭圓家族)”, hoping to provide convenience for information communication to visually impaired people through barrier-free fonts design, and to transmit care and love through fonts.

At the same time, the customized font service of FounderType has been recognized by more and more customers. Throughout 2022, the customized fonts created by customization team of FounderType for 16 clients in different fields such as New Media Center of Xinhua News, abC Art Book Exhibition, Midea Group, China Academy of Art, Alibaba Health Pharmacy, Hongqi, PICO, Honor, etc. have been released successively.

- 2) Font design technology aspect: To ensure font quality and improve design efficiency, we continued to promote the use of artificial intelligence-aided font design technology in our major design works, such as the “Exquisite Chinese Font Library Project (中華精品字庫工程)” and other font customization projects. Keeping pace with the global technology trend, we further strengthened the research of variable font technology and actively apply variable font technology to meet the needs of high-end clients.
- 3) Marketing and service aspect: On the basis of consolidating and expanding the cooperation with major corporate clients, we continued to scale up targeted marketing and increased collaboration with design companies and advertising firms. For uncommon words in the names of people or places, we continuously provided the “Founder Demographic Information Font Library Solution (方正人口信息字庫解決方案)” to financial and social security institutions. The promotion of “Font + (字加)” client base has been strengthened, and membership services have been launched for the designer group. In addition, we continued to push forward the development of the comprehensive three-in-one service system comprising the official website of FounderType, “Font + (字加)” mobile APP and “Font + (字加)” PC client end.
- 4) Promotion aspect: Due to the impact of the COVID-19 epidemic, the focus of promotion has been shifted online, focusing on the promotion of new font products and customized fonts. With our actively online live broadcast as planned, we held 17 live broadcasts and rebroadcast events on the video channel of FounderType and the platform of Bilibili throughout 2022. Combining offline and online means, we successfully held the “Founder Font Design Conference 2022 and the Award Ceremony of the 11th Founder Award Design Competition (方正2022字體設計大會暨第十一屆「方正獎」設計大賽頒獎典禮)”, where hundreds of thousands of viewers witnessed our annual celebration. Furthermore, we actively tried the new forms of promotion, and successfully complete the joint promotion with “Shiguang Plum Wine (時光梅酒)”, “Ramen Talk (拉麵說)”, “Federal Walk (聯邦走馬)” and other online celebrity brands. Through the wonderful appearances in the “abC Art Book Exhibition (abC藝術書展)”, “Alibaba U Design Week (阿里巴巴U設計周)”, “CUBE Conference of ZCOOL (站酷CUBE大會)”, “the Character Design Exhibition (字生態設計展)” and other activities, the charm of font and brand strength have been fully demonstrated. Apart from that, we actively participated in international well-known design competitions and won awards in Tokyo TDC and New York TDC, thereby enhanced the influence of FounderType in the field of international design sector.

The above measures not only 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

The theme of the development of China's printing industry in 2022 was to focus on the 3 aspects including exhibition platform, market players and digital empowerment, in order to implement the tasks and fulfilling the requirements put forward in the subject planning of "The 14th Five-Year" Plan for the development of printing and distribution. It promoted the implementation of new development concepts to the printing and distribution industry, thus to build a new development pattern, so as to achieve high-quality development. The core work of 北京方正印捷數碼技術有限公司 (Beijing Founder EasiPrint Digital Technical Co., Ltd*) ("Founder EasiPrint"), a wholly-owned subsidiary of the Company, is to closely revolve around the "Concept of market-oriented with digital empowerment". We innovate the printing industry with digital technology, and continue to lead the upgrading and substitution of ink-jet printing technology for traditional offset printing. We also promote the application of digital technology in the field of publishing and commercial printing to upgrade and transform the production process and technique, so as to lay a solid foundation of business mode for network distribution, new book retailing combined with the Internet. The 20th National Congress of the Communist Party of China was successfully held. Founder's printing software and hardware systems were widely deployed in key organs and printing units, effectively ensuring the safe and stable production of various important documents of the National Congress.

- 1) Sales aspect: In 2022, the national epidemic prevention and control policy continued to be strengthened, resulting in a decline in the overall business volume of the publishing and printing industry, and a large number of cooperative printing enterprises were in a state of intermittent shutdown, which also led to a decline in the sales of series of Founder EagleJet Inkjet Printers, the overall market share still remained above 50%. However, after the official launch of Founder 1200dpi High-definition Rotary Inkjet Printer in September, the printing quality of the device has been improved to the same or better level with traditional offset printing, therefore the business adaptability has also been wider, which has also led to the increase of new contracts of color inkjet printers in the fourth quarter of 2022. At present, the market's attention towards inkjet printing device has been rekindled, which has laid a good foundation for business development in 2023.
- 2) Aspect of product research and development and background management: In 2022, although the external environment was relatively challenging, the investment in technology research and development for Founder EasiPrint did not slow down. This year was the year that Founder inkjet products were developed and launched with the largest number of model. Founder EagleJet P6600c HD (1200 DPI) Color HD Inkjet Rotary Printer successfully completed the stage of user testing, and launched for promotion and sales nationwide after the successful application sharing conference in September. Founder S330 series Single Sheet Fed Inkjet Printer has also successfully completed the stage of user testing and established a relatively comprehensive agent selling system, which is expected to contribute to the overall performance of Founder Inkjet in 2023. Founder EagleJet VS3000 High-speed Inkjet Printing System also completed its research and development in the second quarter, and rapidly achieved sales

orders. At present, the contracts of current year have been finished for acceptance check, and this series of products are gradually matured, lifting its competitiveness constantly. Meanwhile, the annual new signed contracts of Founder Yunshu Software successfully exceeded RMB10 million, and most of the contracts in 2022 were successfully carried out. At the end of 2022, the development of core printing process software, Founder Changliu 7.0 software, was completed and is expected to be officially launched in 2023. Simultaneously, we seized the time period when the business rhythm slows down, we have optimized the operation efficiency by destocking compared with the end of 2021.

- 3) Marketing aspect: At the beginning of 2022, the project of “R&D and industrialization of key technologies of Founder EagleJet P-series Single/Double Color Book Inkjet Printing Equipment (方正架鷹P系列單／雙色書刊噴墨印刷設備關鍵技術研發與產業化)” won the second prize of the 16th Bisheng Printing Technology Progress Award (第十六屆畢昇印刷科技進步二等獎) (the first prize was vacant), showing that our inkjet technology was once again recognized by the industry. The Standardization Administration of the P.R.C of State Administration for Market Regulation has published a number of important standards, including No.GB/T 41975-2022 “Digital Inkjet Printer for Books and Periodicals (《書刊噴墨數字印刷機》)” (the “Standard”). Founder Electronics is the leading drafting institute of this Standard. The introduction of the Standard filled the gap for the standard of digital printing equipment products in the field of book publishing, provides an authoritative and technical basis for corporate production and user selection, and will further promote the wider application of inkjet printing technology in the field of book publishing in the future. Affected by the COVID-19 epidemic, offline market activities were basically unable to be held in large and medium-sized cities in China in 2022. When the COVID-19 epidemic was relatively mitigated when in September, we held the “Sharing meeting of Founder EagleJet High-definition Inkjet Digital Printer application and sharing meeting of new technology for book production (方正架鷹高清噴墨數字印刷機應用分享會暨圖書生產新技術分享會)” to show the product advantages of Founder EagleJet High-definition Inkjet Digital Printer to printing factories and publishers through users case sharing, product application sharing, and on-site visit to printing factory. We also held two promotional conferences for “Founder Yunshu Electronic Blue Paper Press Conference (方正雲舒電子藍紙發佈會)” which achieved good market results. In addition, in view of the difficulty in holding offline meetings, the promotion was carried out through the modes of continuous online live broadcast sharing, Douyin/official account of new media communication, aiming at the newly released software and hardware products, including the products of “Founder Changyi Intelligent Monitoring System (方正暢易智慧監測系統)”, “Founder EagleJet S330 Single Sheet Fed Inkjet Printer (方正架鷹S330單張紙噴墨印刷機)”, “Founder Changliu Digitalization for Workflow 7.0 (方正暢流數位化工作流程7.0)”. These were promoted through online announcement, with warm-up publicity on official account, video account and Douyin account simultaneously, which gained tens of thousands of viewers. The publicity of Founder EagleJet P6600C HD Color High-definition Inkjet Rotary Printer has received thousands of inquiries and a large number of user attentions on the platforms such as Douyin, official account of WeChat, etc.

Media Business

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

As to the integration of the publishing industry, the National Press and Publication Administration issued “The development plan for the publishing industry during the 14th Five-year” plan (《出版業“十四五”時期發展規劃》) (the “Plan”) at the end of 2021, clarifying the guiding ideology, basic principles, objectives and requirements, key tasks and

safeguard measures for the development of the publishing industry during the 14th Five-year plan period, and describing the development blueprint and work direction for the publishing industry. The Plan proposes to implement the digital strategy during the “14th Five-year” plan period of the publishing industry, strengthen the supporting and leading role of the new generation of information technology, guide publishing units to deepen understanding and systematic planning, effectively integrate various elements of resource, innovate publishing formats, communication methods and operation models, so as to promote the industry digitization and digital industrialization of the publishing industry, and vigorously improve the level of digitalization, digitization and intelligence of the industry. We will also promote the whole industry chain of publishing enabled by digital technology, supplement and strengthen the weakness in the digitalization of the publishing industry, and further promote the new publishing industry that integrated by traditional publishing and digital business. Highlight the important role of scientific and technological innovation in promoting the digital transformation and upgrading of the publishing industry and achieving deep integrated development, we vigorously promote the application of 5G, big data, cloud computing, artificial intelligence, blockchain, Internet of things, virtual reality and augmented reality in the publishing field. In 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》). The opinions focus on accelerating the deep integration and development of publishing, building a new publishing and communication system in the digital era, adhering to the general idea of combining systematic promotion with demonstration and guidance, and put forward 20 main measures from 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. These policies will greatly promote the digital transformation of the publishing industry and establish a new system of integrated content with collaborative production and dissemination.

1) Product and solution:

For in-depth media integration: To better facilitate the application of mobile network, big data, artificial intelligence, 5G and other advanced and emerging technologies in in-depth integration and development of media, Founder Electronics launched the “Founder Solution for Hyper-integration of Media 3.0” and constructed a new generation of “Founder Skylark Cloud Media Integration Platform (方正雲雀融媒體平台)” after upgrade and optimization. It focused on the research and development of the data middle platform and AI middle platform by adopting a cloud computing-based and containerized microservice structure to build the new generation of supporting platforms for media integration technologies. At the same time, it continuously improved the intelligence and video-oriented capabilities of various products, such as Founder all-rounded media interview and compilation and media cloud through a component-based research and development model with fast upgrades, so as to help with the development of smart media and the construction of the technology platform of the “radio integration” municipal-level media center. “Founder Solution for Hyper-integration of

Media 3.0” realized not only the integration of media businesses, management, users and data, but also the optimization of new mobile media platforms and mobilization of core content creation businesses by adhering to our strategy that takes mobile media as the priority. Meanwhile, the solution strengthened and optimized the abilities of comprehensive and integrated production, comprehensive planning and interview, comprehensive compilation and editing and distribution from various ends for audios, videos and new media. It could help with the digitalization and intelligence of different application scenarios, including planning, interview, compilation, editing, publishing and distribution, through the data middle platform and AI middle platform.

For the publishing business: Founder Electronics has stepped up its efforts in the research and development of the new generation of the digital joint compilation system, covering technologies and software products for joint compilation, smart review, XML automatic typesetting, knowledge service and content production. In 2022, a collaborative compilation platform based on SaaS service mode was developed and launched for the book publishing market, with providing cloud services for small and medium-sized publishing enterprises. A new generation of data-driven submission and review system was developed and launched for the market of scientific and technological journals. Smart Review Version 4.0 was released for media publishing, and pan-media and pan-publishing market.

2) Business model:

We are committed to actively promoting the transformation from software solution towards authorization service, SaaS service, software service and data service. In 2022, the proportion in relation to the service-oriented business accounted for 38%. Founder Smart Review SaaS Cloud service have achieved more than 3,668 institutional users registered, among them, there are more than 1,000 charging institutional users. At present, there are more than 400 publishing companies, 600 newspapers, 1,100 party journals and academic journals that use Founder Smart Review. Xinkong Cloud Pan-media Integration Platform serves nearly 300 local media and industry media customers. Founder Intelligence New Media Big Data SaaS service serves more than 100 media customers. The business model has gradually changed from sale of product solution project to product solution and authorization, SaaS services, software services, data services and other collaborative business models.

3) Marketing:

In the media market, on the basis of consolidating the central media, provincial and municipal media as well as industrial media markets, we increased the expansion to the pan-media markets such as government enterprises, colleges and universities. In 2022, Founder Electronics reached new cooperation with central-level, provincial-level customers such as Xinhuanet, Yangcheng Evening News, Shaanxi Daily Media Group, Yunnan Daily Newspaper Group, Ningxia Daily Newspaper Group, Tibet daily, Shanghai Education Press Headquarters, Qingdao Daily Newspaper Group, etc. in the

media market. At the same time, in 2022, new media construction projects, namely “Integrated Media Center for newspaper and broadcast station” jointly operated by Yinchuan News Media Center (Group), Hohhot Radio and Television Station, Handan News Media Center (Group), Wuhu News and Media Center, Jiaxing Media Center and other municipal-level integrated media centers were also carried out. These clients are the pilot units of 60 municipal integrated media centers selected by the Publicity Department of the CPC Central Committee nationwide. In addition, the State Grid News, Media Center of Qitaihe Mining Group, Minzu University of China, Fujian Agriculture and Forestry University, Xiamen Ocean Vocational College, Xizang Minzu University, Hebei Institute of Communications, Shenzhen Technician College* and other enterprise integrated media as well as university integrated media projects have been carried out. Benchmark cases have been set in the central media, provincial media, municipal media, industry media, enterprise integrated media, university integrated media, district and county integrated media, New media of Party journal and other market segments. It is comprehensively promoting the deep integration of mainstream media. Three academic papers of Founder Electronics had won the third prize of excellent thesis of the 2022 “News, Science and Technology Academic Paper Award” 2022 in the Annual Academic Conference 2022 and the Talent Award and Excellent Academic Paper Award Ceremony of “Wang Xuan News, Science and Technology Award (王選新聞科學技術獎)” which is held by 4th representative assembly of 7th CAPTCN. More than ten integrated media projects participated by Founder Electronics were selected into the “Excellent application (用得好)” case base of China Newspaper Media Integration 2022. Founder Electronics has been recognized by users and media industry constantly, leading the development of the industry.

In the publishing market, in 2022, we entered into agreements with Jizhi platform of Hebei Publishing and Media Network, All-rounded Media Resource Library and Digital Production Management Platform for secure publishing of books and periodicals of Beijing Publishing Group, the Digital Production Management platform for secure publishing of books and periodicals of Higher Education Press, the Knowledge Service Platform of China Petrochemical Press Co. Ltd, the Knowledge Service Platform of Economy & Management Publishing House, the Collaborative Compilation Platform of China Quality and Standards Publishing & Media Co., Ltd, the Collaborative Compilation Platform of Chongqing University Press, the Resource Database of Guangxi Normal University Press Group Co., Ltd, the Knowledge Service Platform of Liaoning People’s Publishing House, and the Collaborative Compilation Platform of Shaanxi People’s Publishing House. At the China Digital Economy Innovation and Development Conference 2022, “Founder Shuchang Collaborative Compilation System (方正書暢協同編纂系統)” was successfully selected as the “Outstanding Cases of Enterprise Digital Transformation 2022 (2022年企業數位化轉型優秀案例)”. Founder Smart Auxiliary Review system was successfully selected into the Storage Project List of the Media Integration Innovative Technology and Service Application 2022 and Excellent Project List of the Media integration Innovation Technology and Service Application.

In the academic journal market, Founder Electronics has continuously built and upgraded the “Founder Hongyun Academic Publishing Cloud Service Platform (方正鴻雲學術出版雲服務平台)” by using artificial intelligence, big data, cloud computing and other technologies, serving nearly 800 users of journal publishing. The proposed manuscript collection and editing system has been first tried and used by seed users. Furthermore, Founder Electronics continues to cooperate with academic journal clusters including Light Academic Publishing Center, journal cluster of Zhejiang University Press, journal cluster of Chinese Association of Chinese Medicine and other academic journals. We also carried out the cooperation in publishing and communication with single journals such as journal of “National Remote Sensing Bulletin (《遙感學報》)” and “Acta Polymerica Sinica (《高分子學報》)”. In terms of data push service, Founder Electronics provides value-added data services for nearly 100 domestic journals. We also carried out business cooperation in developing middle platform for research and development with Chinese Medical Association Publishing House and carried out industrial extension and application projects such as the infrastructure of digital publishing platform with Central South University Press. In 2022, Founder Electronics continued to sign agreement with the China Association for Science and Technology for the construction project of “The International Digital Publishing Service Platform – Sub Project of China Science and Technology Journal Excellence Action Plan – International Platform for Digital Production of Scientific and Technological Journals (中國科技期刊卓越行動計劃國際化數位出版服務平台子專案－科技期刊數位化生產國際平台)”, which continued to provide technical service support for scientific and technological journals to move towards digitalization and internationalization. In August 2022, the 17th China Science and Technology Journal Development Forum, sponsored by the China Association for Science and Technology and the National Press and Publication Administration, was held in Hefei, Anhui Province. Founder Electronics took the lead in holding the “Special Forum on Digital Transformation and Integrated Development Platform Construction of Scientific and Technological Journals”. The forum included five activities, namely “Product Release of Digital Version Solutions for Scientific and Technological Journals (科技期刊數位出版解決方案產品發佈)”, “Digital Transformation and Upgrading of Scientific and Technological Journals driven by New Technologies (新技術驅動科技期刊數位化轉型升級)”, “Strategies for Promoting the Clustered Development of Scientific and Technological Journals through the Construction of Scientific and Technological Journals Platform (科技期刊平台建設推進科技期刊集群化發展的策略)”, “Integrated Development of Industry, University and Research Funds in the Clusters Construction (集群化建設中實現產學研用金的融合發展)”, and “Pioneers of Knowledge Mining and Knowledge Services for Scientific and Technological Journals (科技期刊知識挖掘與知識服務的先行者)”, all enhanced the influence and discourse power of Founder Electronics in the field of scientific and technological 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 2022, the number of employees of the Group was 1,088 (31 December 2021: 1,208).

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 2022, the Group had no interest-bearing bank borrowings (31 December 2021: Nil).

As at 31 December 2022, the Group recorded total assets of HK\$1,483.7 million which were financed by liabilities of HK\$433.7 million and equity of HK\$1,050.0 million. The Group's net asset value per share as at 31 December 2022 amounted to HK\$0.88 (31 December 2021: HK\$0.91). The decrease in net asset value per share was due to net effect of profit, exchange differences arising from translation of foreign operations and revaluation deficit 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\$738.3 million as at 31 December 2022 (31 December 2021: HK\$606.3 million). As at 31 December 2022, the Group's gearing ratio, measured by the ratio of total borrowings (including lease liabilities) to total shareholders' equity, was 0.4% (31 December 2021: 0.5%) while the Group's working capital ratio was 2.78 (31 December 2021: 2.31). The decrease in prepayments, deposits and other receivables by 21.7% to HK\$55.6 million

(31 December 2021: HK\$71.0 million) was due to decrease in prepayments arising from less purchase during the year. The decrease in other payables and accruals by 6.3% to HK\$256.2 million (31 December 2021: HK\$273.5 million) was due to decrease in accrual of subcontracting fee of information products and software contracts.

As at 31 December 2022, the Group did not have any material capital expenditure commitments.

Treasury policies

The Group adopts conservative treasury policies and controls tightly over its cash and risk management. The Group's cash and cash equivalents are held mainly in Hong Kong Dollars ("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 2022, the major contracts in hand amounted to approximately HK\$260.8 million (31 December 2021: HK\$297.0 million), which are all expected to be completed within one year.

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

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures, or significant investments during the year ended 31 December 2022.

Charges on assets

As at 31 December 2022, the Group's investment properties in Hong Kong of approximately HK\$71.5 million and bank deposits of approximately HK\$5.0 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 2022. 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 2022, 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 2022.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has fully complied with all the code provisions as set out in the Corporate Governance Code, contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), throughout the year ended 31 December 2022.

COMPLIANCE WITH THE LISTING RULES

Non-compliances with Rules 3.10(1), 3.10(A), 3.21 and 3.25 of the Listing Rules

On 16 March 2023, Mr. Lau Ka Wing resigned as an independent non-executive director of the Company ("INED") and ceased to be the member and chairman of the remuneration committee ("Remuneration Committee") and a member of the audit committee ("Audit Committee") of the Company (the "Resignation") due to his other business commitments. As a result, the Company failed to meet the requirements set out in (i) Rule 3.10(1) of the Listing Rules that the Company must have at least three INEDs; (ii) Rule 3.10(A) of the Listing Rules that the Company must appoint INEDs representing at least one-third of the Board; (iii) Rule 3.21 of the Listing Rules that the Audit Committee must comprise a minimum of three members; and (iv) Rule 3.25 of the Listing Rules that the Remuneration Committee must comprise a majority of INEDs.

The Company is in the process of identifying a suitable candidate to fill the abovementioned vacancies as soon as practicable, with the relevant appointment to be made within three months from the Resignation, in order to comply with the relevant requirements under the Listing Rules. The Company will make further announcement as and when appropriate.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules as the Company’s code of conduct and rules governing dealings by all directors in the securities of the Company. Upon being made specific enquiries by the Company, all directors of the Company confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2022.

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 2022 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 2022 annual report of the Company containing all the information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board
Founder Holdings Limited
Shao Xing
President

Hong Kong, 28 March 2023

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

* For identification purpose only