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FOUNDER HOLDINGS LIMITED
方正控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00418)

**CONTINUING CONNECTED TRANSACTIONS
THE 2022 MASTER SALES AGREEMENT AND
THE 2022 MASTER PURCHASE AGREEMENT WITH NEW FOUNDER
AND
FONT LIBRARY LICENSING AGREEMENTS WITH
PING AN AND ITS OTHER SUBSIDIARIES**

THE 2022 MASTER SALES AGREEMENT AND THE 2022 MASTER PURCHASE AGREEMENT WITH NEW FOUNDER

We refer to the announcements of the Company dated 22 April 2022 and 30 October 2019 in respect of the Master Sales Agreement and the Master Purchase Agreement, respectively, entered into between Peking Founder and the Company, which will expire on 31 December 2024 and 31 December 2022, respectively.

On 20 December 2022, the Company has been informed that the 30.60% equity interest of the Company that was indirectly held by Peking Founder through its wholly-owned subsidiary was transferred and became indirectly held by New Founder. As such, Peking Founder has ceased to be a connected person of the Company and New Founder has become a controlling shareholder of the Company under the Listing Rules, and the transactions contemplated under the Master Sales Agreement and the Master Purchase Agreement were no longer continuing connected transactions of the Company from 20 December 2022 onwards. The Master Sales Agreement and the Master Purchase Agreement were terminated by Peking Founder and the Company on the same date.

As the Company intends to carry out transactions contemplated under the Master Sales Agreement and the Master Purchase Agreement with New Founder and its subsidiaries upon the change of direct and indirect shareholders of the Company, on 28 December 2022, the Company entered into the 2022 Master Sales Agreement and the 2022 Master Purchase Agreement with New Founder, which will expire on 31 December 2024 and the terms of which are the same to those of the Master Sales Agreement and the Master Purchase Agreement in all material aspects, respectively.

FONT LIBRARY LICENSING AGREEMENTS WITH PING AN AND ITS OTHER SUBSIDIARIES

As at the date of this announcement, Ping An held 66.51% equity interest in New Founder and therefore is a substantial shareholder and a connected person of the Company under the Listing Rules.

Ping An and its certain subsidiaries (not within the New Founder Group) from time to time purchase font library products and enter into individual font library licensing agreements on substantially the same terms (other than the font library products and licensing periods) with Founder Electronics, a wholly-owned subsidiary of the Company, according to which, Founder Electronics, as the licensor, non-exclusively licenses relevant subsidiaries of Ping An (not within the New Founder Group) or Ping An right to use certain font libraries that it owns with licensing periods of no more than three years.

LISTING RULES IMPLICATIONS

As mentioned above, each of New Founder and Ping An is a controlling shareholder of the Company as at the date of this announcement, and thus they and their subsidiaries are connected persons of the Company under the Listing Rules. Accordingly, the transactions contemplated under each of the 2022 Master Sales Agreement, the 2022 Master Purchase Agreement and the individual font library licensing agreements with Ping An and/or its subsidiaries (not within the New Founder Group) will constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the transactions contemplated under the 2022 Master Sales Agreement and the individual font library licensing agreements with Ping An and/or its subsidiaries (not within the New Founder Group) in aggregate, and the 2022 Master Purchase Agreement exceed 0.1% and is less than 5%, respectively, the transactions contemplated under such agreements are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under the Listing Rules.

THE 2022 MASTER SALES AGREEMENT WITH NEW FOUNDER

We refer to the announcement of the Company dated 22 April 2022 in respect of the Master Sales Agreement entered into between Peking Founder and the Company, which will expire on 31 December 2024.

We also refer to the announcements of the Company dated 31 July 2020, 29 January 2021, 30 April 2021, 8 July 2021, 21 October 2021, 24 June 2022, 17 November 2022 and 20 December 2022, in respect of the Peking Founder Restructuring. On 20 December 2022, the Company has been informed that the 30.60% equity interest of the Company that was indirectly held by Peking Founder through its wholly-owned subsidiary was transferred and became indirectly held by New Founder. As such, Peking Founder has ceased to be a connected person of the Company and New Founder has become a controlling shareholder of the Company under the Listing Rules, and the transactions contemplated under the Master Sales Agreement were no longer continuing connected transactions of the Company from 20 December 2022 onwards. The Master Sales Agreement was terminated by Peking Founder and the Company on the same date.

As the Company intends to carry out transactions contemplated under the Master Sales Agreement with New Founder and its subsidiaries upon the change of direct and indirect shareholders of the Company, on 28 December 2022, the Company entered into the 2022 Master Sales Agreement with New Founder, which will expire on 31 December 2024 and the terms of which are the same to those of the Master Sales Agreement in all material aspects.

Pursuant to the 2022 Master Sales Agreement, the Group shall provide information products (including but not limited to software and hardware products as well as systems integration products) and hardware/software development services as well as systems integration services to the New Founder Group.

Pricing

The Group will charge the New Founder Group with reference to the market price of such products and services at the relevant time of purchase. The market price is determined at the relevant time: (i) with reference to the prices and credit terms at which such products and services are supplied, on normal commercial terms in its ordinary and usual course of business, to customers which are Independent Third Parties in the local market and/or adjacent regions; or (ii) where no comparable as stated in (i) are available, with reference to the prices and credit terms at which such products and services are supplied, on normal commercial terms in its ordinary and usual course of business, to customers which are Independent Third Parties in the PRC; or (iii) where none of the above comparables is available, with reference to the prices and credit terms agreed between the parties on arm's length basis and which are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Further, the New Founder Group should bear all the freight charges, taxes and other relevant expenses in relation to the information products supplied to the New Founder Group. The information products and services provided by the Group will be used in the operation and business of the New Founder Group.

Historical Figures and Proposed Annual Caps

The tables below set out the historical figures and the proposed annual caps for the transactions contemplated under the 2022 Master Sales Agreement:

Historical figures

	Year ended 31 December 2019	Year ended 31 December 2020	Year ended 31 December 2021	Six months ended 30 June 2022
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Historical sales	6.4	1.0	2.6	–

Proposed annual caps under the 2022 Master Sales Agreement

	Year ending 31 December 2022	Year ending 31 December 2023	Year ending 31 December 2024
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Proposed annual caps	9	9	9

Basis of Proposed Annual Caps

The proposed annual caps under the 2022 Master Sales Agreement set out above are determined based on the following:

- (a) the historical figures of the similar transactions between the Group and Peking Founder Group; and
- (b) the expected market conditions of the products and services to be supplied by the Group under the 2022 Master Sales Agreement.

Reasons for and Benefits of the 2022 Master Sales Agreement

The entering into of the 2022 Master Sales Agreement was a continuance of pre-existing business dealings between the Group and members of the New Founder Group. The Directors believe that having a long-term customer such as the New Founder Group can effectively enhance the Group's financial performance. The Directors are of the opinion that the entering into of the 2022 Master Sales Agreement with the proposed annual caps would encourage the New Founder Group to source such products and services from the Group and would therefore be beneficial to the Group.

The Board considers that the terms of the 2022 Master Sales Agreement is (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) fair and reasonable, and in the interests of the Company and its shareholders as a whole. The Directors (including the independent non-executive Directors) are also of the view that the proposed annual caps under the 2022 Master Sales Agreement for the three years ending 31 December 2024 are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

THE 2022 MASTER PURCHASE AGREEMENT WITH NEW FOUNDER

We refer to the announcement of the Company dated 30 October 2019 in respect of the Master Purchase Agreement entered into between Peking Founder and the Company, which will expire on 31 December 2022.

For the same reasons as mentioned above, the transactions contemplated under the Master Purchase Agreement were no longer continuing connected transactions of the Company from 20 December 2022 onwards. Therefore, on 28 December 2022, the Company entered into the 2022 Master Purchase Agreement with New Founder, which will expire on 31 December 2024 and the terms of which are the same to those of the Master Purchase Agreement in all material aspects. The Master Purchase Agreement was terminated by Peking Founder and the Company on the same date.

Pursuant to the 2022 Master Purchase Agreement, the New Founder Group shall provide information products and research and development services to the Group.

Pricing

New Founder Group will provide information products and research and development services to the Group at market prices determined at the relevant time: (i) with reference to the prices and credit terms at which such products and services are supplied, on normal commercial terms in its ordinary and usual course of business, to customers which are Independent Third Parties in the local market and/or adjacent regions; or (ii) where no comparables as stated in (i) are available, with reference to the prices and credit terms at which such products and services are supplied, on normal commercial terms in its ordinary and usual course of business, to customers which are Independent Third Parties in the PRC; or (iii) where none of the above comparables is available, with reference to the prices and credit terms agreed between the parties on arm's length basis and which are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Historical Figures and Proposed Annual Caps

The tables below set out the historical figures and the proposed annual caps of the transactions contemplated under the 2022 Master Purchase Agreement:

Historical figures

	Year ended 31 December 2019	Year ended 31 December 2020	Year ended 31 December 2021	Six months ended 30 June 2022
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Historical Purchases	2.1	2.3	1.8	0.9

Proposed annual caps under the 2022 Master Purchase Agreement

	Year ending 31 December 2022	Year ending 31 December 2023	Year ending 31 December 2024
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Proposed annual caps	18	18	18

Basis of Proposed Annual Caps

The proposed annual caps under the 2022 Master Purchase Agreement set out above are determined based on the following:

- (a) the historical figures of the similar transactions between the Group and Peking Founder Group; and
- (b) the expected market conditions of the products and services to be provided to the Group under the 2022 Master Purchase Agreement.

Reasons for and Benefits of the 2022 Master Purchase Agreement

New Founder Group is engaged in a wide array of businesses, among which one of its businesses is the provision of software solutions and services. Compared with recruiting more research and development staff and acquiring the relevant equipment, the Board considers it more cost effective to leverage on the research and development capability of New Founder Group so that the Group could maximize its profit margin.

The entering into of the 2022 Master Purchase Agreement was a continuance of pre-existing business dealings between the Group and members of the New Founder Group. The Board considers that the terms of the 2022 Master Purchase Agreement were arrived after arm's length negotiations between the parties involved and entered into in the ordinary and usual course of business of the Group. The Directors (including the independent non-executive Directors) consider that the terms of the 2022 Master Purchase Agreement and its proposed annual caps are fair and reasonable, and the transactions contemplated under the 2022 Master Purchase Agreement are on normal commercial terms in the ordinary and usual course of business of the Group and are in the interests of the Company and its shareholders as a whole.

FONT LIBRARY LICENSING AGREEMENTS WITH PING AN AND ITS SUBSIDIARIES (NOT WITHIN NEW FOUNDER GROUP)

As at the date of this announcement, Ping An held 66.51% equity interest in New Founder and therefore is a substantial shareholder and a connected person of the Company under the Listing Rules.

Ping An and its certain subsidiaries (not within the New Founder Group) from time to time purchase font library products and enter into individual font library licensing agreements on substantially the same terms (other than the font library products and licensing periods) with Founder Electronics, a wholly-owned subsidiary of the Company, according to which, Founder Electronics, as the licensor, non-exclusively licenses Ping An or relevant subsidiaries of Ping An (not within the New Founder Group) right to use certain font libraries in, among other things, their daily operation, trademarks, logos, advertisement, product brochures and packaging, websites, internal periodicals and audio and video products related to their business, with licensing periods of no more than three years.

Pricing

Founder Electronics will charge Ping An and its subsidiaries (not within the New Founder Group) licensing fees and recognised as sales revenue by the Group with reference to the market price of relevant font library products at the relevant time of purchase. The market price is determined at the relevant time: (i) with reference to the prices and credit terms at which such products are supplied, on normal commercial terms in its ordinary and usual course of business, to customers which are Independent Third Parties in the local market and/or adjacent regions; or (ii) where no comparable as stated in (i) are available, with reference to the prices and credit terms at which such products are supplied, on normal commercial terms in its ordinary and usual course of business, to customers which are Independent Third Parties in the PRC; or (iii) where none of the above comparables is available, with reference to the prices and credit terms agreed between the parties on arm's length basis and which are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Historical Figures and Proposed Annual Cap

The tables below set out the historical figures and the proposed annual caps for the transactions contemplated under the font library licensing agreements with Ping An and its subsidiaries (not within the New Founder Group):

Historical figures

	Year ended 31 December 2019	Year ended 31 December 2020	Year ended 31 December 2021	Six months ended 30 June 2022
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Historical figures	0.5	0.8	1.7	0.1

Proposed annual caps

	Year ending 31 December 2022	Year ending 31 December 2023	Year ending 31 December 2024
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Proposed annual caps	9	9	9

Basis of Proposed Annual Caps

The proposed annual caps under the font library licensing agreements with Ping An and its subsidiaries (not within the New Founder Group) set out above are determined based on the following:

- (a) the historical figures of the transactions between the Group and Ping An and its subsidiaries (not within the New Founder Group); and
- (b) the expected market conditions of the products to be supplied by the Group for the three years ending 31 December 2024.

Reasons and Benefits of the Font Library Licensing Agreements

Founder Electronics is principally engaged in software development, system integration and information product distribution in the PRC.

Before the Peking Founder Restructuring, there had been similar business dealings between Founder Electronics and Ping An and its subsidiaries (not within the New Founder Group) from time to time in the ordinary course of business of Founder Electronics. The entering into of the font library licensing agreements are a continuance of pre-existing business dealings between the parties. The Directors believe that having a long-term customer such as Ping An and its subsidiaries can effectively enhance the Group's financial performance. The Directors are of the opinion that the entering into of the font library licensing agreements with Ping An and its subsidiaries (not within the New Founder Group) with the proposed annual cap would encourage them to source such products from the Group and would therefore be beneficial to the Group.

The Board considers that the terms of the font library licensing agreements with Ping An and its subsidiaries (not within the New Founder Group) are (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) fair and reasonable, and in the interests of the Company and its shareholders as a whole. The Directors (including the independent non-executive Directors) are also of the view that the proposed annual cap for the three years ending 31 December 2024 is fair and reasonable, and in the interests of the Company and its shareholders as a whole.

INFORMATION OF THE GROUP (INCLUDING FOUNDER ELECTRONICS)

The Group is principally engaged in software development and provision of systems integration services relating to the media and non-media industries including financial institutions, enterprises and government departments. The Group purchases information hardware products for its customers in order to establish computer systems. It also provides software and hardware solutions to its customers as well as for use in its software development business.

INFORMATION OF THE NEW FOUNDER GROUP AND PING AN

New Founder is a controlling shareholder of the Company indirectly holding approximately 30.60% of the issued share capital of the Company.

New Founder Group is principally engaged in securities trading and brokerage; the information technology industry, including software and system development for the publishing sector and various government bureaus and financial institutions and hardware manufacturing for personal computers, chips, circuit boards and other terminal equipment; and healthcare and pharmaceutical industry, including hospitals, pharmaceuticals, logistics, equipment leasing and hospital management.

As at the date of this announcement, the ultimate majority shareholder of New Founder is Ping An which held 66.51% equity interest in New Founder and is a controlling shareholder of the Company. It is principally engaged in the business of insurance, banking, investment and Internet finance products and services.

Zhuhai Huafa Group Co., Ltd. (on behalf of Zhuhai State-owned Assets) (珠海華發集團有限公司(代表珠海國資)) indirectly held 28.5% equity interest in New Founder, and is principally engaged in development and operation of properties. The remaining equity interest of New Founder is directly held by Zhuhai Founder No. 1 Enterprise Management Partnership (Limited Partnership) (珠海市方正一號企業管理合夥企業(有限合夥)) by 1.63% and Zhuhai Founder No. 2 Enterprise Management Partnership (Limited Partnership) (珠海市方正二號企業管理合夥企業(有限合夥)) by 3.36%, both of which are shareholding platform companies of the creditors of the Five Companies including Peking Founder.

LISTING RULES IMPLICATIONS

Each of New Founder and Ping An is a controlling shareholder of the Company indirectly holding approximately 30.60% of the issued share capital of the Company as at the date of this announcement, and thus they and their subsidiaries are connected persons of the Company under the Listing Rules. Accordingly, the transactions contemplated under each of the 2022 Master Sales Agreement, the 2022 Master Purchase Agreement and the individual font library licensing agreements with Ping An and/or its subsidiaries (not within the New Founder Group) will constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the transactions contemplated under the 2022 Master Sales Agreement and the individual font library licensing agreements with Ping An and/or its subsidiaries (not within the New Founder Group) in aggregate, and the 2022 Master Purchase Agreement exceed 0.1% and is less than 5% respectively, the transactions contemplated under such agreements are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under the Listing Rules.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, no other Director has material interest in the 2022 Master Sales Agreement or the 2022 Master Purchase Agreement and will be required to abstain from voting on the relevant resolution to approve the 2022 Master Sales Agreement or the 2022 Master Purchase Agreement at the Board meeting.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the meanings set out below:

“2022 Master Purchase Agreement”	the 2022 Master Purchase agreement dated 28 December 2022 entered into between the Company and New Founder in relation to the purchase of information products and research and development services by the Group from the New Founder Group
“2022 Master Sales Agreement”	the 2022 Master Sales agreement dated 28 December 2022 entered into between the Company and New Founder in relation to the sales of information products and the provision of hardware/software development services as well as systems integration services by the Group to the New Founder Group
“Board”	the board of Directors of the Company
“Company”	Founder Holdings Limited (方正控股有限公司*), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00418)
“connected person(s)”	has the same meaning as ascribed thereto in the Listing Rules
“controlling shareholder”	has the same meaning as ascribed thereto in the Listing Rules
“Director(s)”	the directors of the Company
“Five Companies including Peking Founder”	Peking Founder, Peking University Founder Information Industry Group Co., Ltd., Founder Industry Holdings Co., Ltd., PKU Healthcare Industry Group Co., Ltd., and Peking University Resource Group Limited
“Founder Electronics”	Beijing Founder Electronics Co., Ltd. (北京北大方正電子有限公司), a company incorporated in the PRC with limited liabilities and indirectly wholly owned by the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Master Purchase Agreement”	the agreement dated 30 October 2019 entered into between the Company and Peking Founder in relation to the purchase of information products and research and development services by the Group from the Peking Founder Group, the details of which were set out in the announcement of the Company dated 30 October 2019
“Master Sales Agreement”	the agreement dated 22 April 2022 entered into between the Company and Peking Founder in relation to the sales of information products and the provision of hardware/software development services as well as systems integration services by the Group to the Peking Founder Group, the details of which were set out in the announcement of the Company dated 22 April 2022
“New Founder”	New Founder Development Co., Ltd.* (新方正控股發展有限責任公司), a company incorporated in the PRC with limited liabilities, a controlling shareholder of the Company, which indirectly holds approximately 30.60% of the issued share capital of the Company through its wholly-owned subsidiary Founder Information Industry Company Limited (方正信息產業有限責任公司)
“New Founder Group”	New Founder and its subsidiaries
“Peking Founder”	Peking University Founder Group Company Limited, which used to be a controlling shareholder of the Company before the transfer of the entire equity interest of Founder Information Industry Company Limited (方正信息產業有限責任公司) to New Founder as part of the Peking Founder Restructuring
“Peking Founder Restructuring”	the restructuring of Peking Founder, Peking University Founder Information Industry Group Co., Ltd., Founder Industry Holdings Co., Ltd., PKU Healthcare Industry Group Co., Ltd., and Peking University Resource Group Limited, the details of which were set out in the announcements of the Company dated 31 July 2020, 29 January 2021, 30 April 2021, 8 July 2021, 21 October 2021, 24 June 2022, 17 November 2022 and 20 December 2022

“Ping An”	Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司), a joint-stock company incorporated in the PRC with limited liabilities, the H shares of which are listed on the Stock Exchange with the stock code of 02318 and the A shares of which are listed on the Shanghai Stock Exchange with the stock code of 601318, the ultimate controlling shareholder of the Company as at the date of this announcement
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto in the Listing Rules
“%”	per cent

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

Hong Kong, 28 December 2022

As at the date of this announcement, the board of directors of the Company comprises executive directors of Mr Cheung Shuen Lung (Chairman), Mr Shao Xing (President), Ms 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, Mr Lau Ka Wing and Mr Lai Nga Ming, Edmund.

* *For identification purpose only*