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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 NEW MASTER SALES AGREEMENT

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We refer to the announcement of the Company dated 25 October 2018 in respect of the Master Sales Agreement entered into between Peking Founder and the Company. The Master Sales Agreement expired on 31 December 2021. As the Company intends to continue to carry out the transactions contemplated under the Master Sales Agreement, the Company entered into the New Master Sales Agreement with Peking Founder on 22 April 2022, which will expire on 31 December 2024.

LISTING RULES IMPLICATIONS

Peking Founder is the 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 a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the New Master Sales Agreement will constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) for the transactions contemplated under the New Master Sales Agreement exceeds 0.1% and all of the relevant percentage ratios are less than 5%, the transactions contemplated under the New Master Sales Agreement are subject to the reporting, annual review and announcement requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

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Pursuant to the New 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 Peking Founder Group.

Pricing

Information products acquired by the Group from third party suppliers will be supplied by the Group to the Peking Founder Group at a price based on the rack rate payable by the Group to such suppliers, exclusive of any freight charges and tax payable, at the time of purchase of the relevant information products plus a 1.4% commission which is determined with reference to the level of administrative and logistics effort.

In respect of the information products developed and supplied by the Group and other services provided by the Group to the Peking Founder Group, the Group shall charge the Peking 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 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 in the interests of the shareholders of the Company as a whole.

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

Historical Figures and Proposed Annual Caps

The tables below set out the historical figures and the annual caps under the Master Sales Agreement, and the proposed annual caps under the New Master Sales Agreement:

Historical figures and annual caps under the Master Sales Agreement

	Year ended 31 December 2019 <i>RMB'million</i>	Year ended 31 December 2020 <i>RMB'million</i>	Year ended 31 December 2021 <i>RMB'million</i>
Actual sales	6.4	1.0	2.6
Annual caps	20	20	20

Proposed annual caps under the New Master Sales Agreement

	Year ending 31 December 2022 <i>RMB'million</i>	Year ending 31 December 2023 <i>RMB'million</i>	Year ending 31 December 2024 <i>RMB'million</i>
Proposed annual caps	20	20	20

Basis of Proposed Annual Caps

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

- (a) the historical figures of the relevant transactions; and
- (b) the expected market conditions of the products and services to be supplied by the Group under the New Master Sales Agreement.

Reasons for and Benefits of the New Master Sales Agreement

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

The Directors (including the independent non-executive Directors) consider that entering into the New 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 New 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.

INFORMATION ON THE GROUP

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 ON PEKING FOUNDER GROUP

Peking Founder 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, according to the information available to the Company from the records of the State Administration for Market Regulation, the majority shareholder of Peking Founder is Peking University Assets Management Company Limited* (北大資產經營有限公司) with 70% shareholding, which is principally engaged in the business in relation to the acceptance for entrusted operation and management of state-owned assets, technology promotion, technical services, technical consultation, incubation of high-tech enterprises, investment management and asset management in the PRC. The registered holder of the remaining interest of Peking Founder is Beijing Zhaorun Investments Management Co. Ltd.* (北京招潤投資管理有限公司), while its registered shareholders are Mr Li You, Ms Yu Li, Mr Wei Xin and Mr Zhang Zhao Dong.

Peking 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.

LISTING RULES IMPLICATIONS

Peking Founder is the 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 a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the New Master Sales Agreement will constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) for the transactions contemplated under the New Master Sales Agreement exceeds 0.1% and all of the relevant percentage ratios are less than 5%, the transactions contemplated under the New Master Sales Agreement are subject to the reporting, annual review and announcement requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

In addition, Peking Founder is currently going through a restructuring procedure according to the restructuring proposal (the "**Proposal**") approved by The First Intermediate People's Court of Beijing. For details of such restructuring procedure and its progress, please refer to the announcements of the Company dated 18 February 2020, 19 February 2020, 17 July 2020, 31 July 2020, 25 January 2021, 29 January 2021, 30 April 2021, 5 May 2021, 28 May 2021, 28 June 2021, 8 July 2021, 28 July 2021, 27 August 2021, 27 September 2021, 21 October 2021, 23 November 2021, 23 December 2021, 21 January 2022, 8 February 2022, 8 March 2022 and 8 April 2022. Pursuant to the Proposal, following the completion of the restructuring, the equity interest of the Company indirectly held by Peking Founder will be held indirectly by the Restructuring Investors. As such, following the completion of the restructuring, Peking Founder will no longer constitute a connected person of the Company under the Listing Rules, and the transactions contemplated under the New Master Sales Agreement will no longer constitute continuing connected transaction of the Company.

As Mr Cheung Shuen Lung and Professor Xiao Jian Guo are the directors of Peking Founder and therefore are deemed to have a material interest in the New Master Sales Agreement, Mr Cheung Shuen Lung and Professor Xiao Jian Guo have abstained from voting on the relevant Board resolution approving the transactions contemplated under the New Master Sales Agreement. Save for the above, to the best knowledge, information and belief of the Directors after having made all reasonable enquiries, no other Director has material interest in the New Master Sales Agreement and will be required to abstain from voting on the relevant resolution to approve the New Master Sales Agreement at the Board meeting.

DEFINITIONS

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

“associates”	has the same meaning as ascribed thereto in the Listing Rules
“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 under the 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
“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 Sales Agreement”	the agreement dated 25 October 2018 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 25 October 2018
“New Master Sales Agreement”	the new master sales 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

“Peking Founder”	北大方正集團有限公司 (Peking University Founder Group Company Limited*), a company incorporated in the PRC with limited liabilities, the controlling shareholder of the Company, which indirectly holds approximately 30.60% of the issued share capital of the Company
“Peking Founder Group”	Peking Founder and its subsidiaries
“PRC”	the People’s Republic of China
“Restructuring Investors”	Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司) and 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)), who have entered into a restructuring investment agreement with the companies including Peking Founder on 30 April 2021
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the same meaning as ascribed thereto in the Listing Rules
“%”	per cent

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

Hong Kong, 22 April 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), Professor Xiao Jian Guo, Mr Hu Bin and Ms Liao Hang, 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