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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

LEASING OF OFFICE PREMISES

LEASING OF OFFICE PREMISES

We refer to the announcement of the Company on leasing of office premises dated 31 December 2021, according to which each of Founder Electronics and Founder EasiPrint entered into a lease agreement with Peking Founder to lease certain premises at Shangdi Founder Building on 31 December 2021. Such lease agreements were expired on 31 December 2022. Each of Founder Electronics and Founder EasiPrint renewed their respective leases with Peking Founder. According to the Proposal, the ownership of these premises at Shangdi Founder Building shall belong to New Founder. After arm's length negotiations with Peking Founder, the lease agreements with Peking Founder were terminated on 30 June 2023. As Founder Electronics and Founder EasiPrint intend to continue to lease such premises at Shangdi Founder Building, on 26 June 2023, each of Founder Electronics and Founder EasiPrint entered into a new lease agreement with New Founder to lease certain premises at Shangdi Founder Building from New Founder. The 2023 Lease Agreements will come into effect on 1 July 2023 and expire on 31 December 2023.

LISTING RULES IMPLICATIONS

As at the date of this announcement, New Founder is interested in 30.60% equity interest of the Company and therefore a controlling shareholder and a connected person of the Company for the purposes of the Listing Rules. Meanwhile, Founder Electronics and Founder EasiPrint are wholly-owned subsidiaries of the Company.

The Group adopted HKFRS 16 using the modified retrospective method of adoption from 1 January 2019. Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. However, as allowed under HKFRS 16, the Group has elected not to recognise right-of-use assets and lease liabilities for leases that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term. Therefore the leases under the 2023 Lease Agreements will be continuing connected transactions of the Company.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) for the transactions contemplated under the 2023 Lease Agreements exceeds 0.1% and is less than 5%, the transactions contemplated under the 2023 Lease Agreements 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, each of Founder Electronics and Founder EasiPrint entered into a management agreement with Beida Management, an associate of New Founder, according to which Beida Management will provide each of Founder Electronics and Founder EasiPrint with property management services in relation to their respective office premises leased at Shangdi Founder Building. The details of the 2023 Management Agreements were set out in the announcement of the Company dated 11 January 2023.

The 2023 Lease Agreements and the 2023 Management Agreements have been aggregated for the Listing Rules purposes on the basis that they all relate to the same properties that Founder Electronics and Founder EasiPrint leased from New Founder at Shangdi Founder Building. As the highest applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the transactions contemplated under the 2023 Lease Agreements and 2023 Management Agreements in aggregate exceed 0.1% and is less than 5%, the transactions contemplated under the 2023 Lease Agreements and 2023 Management Agreements are subject to the reporting, annual review and announcement requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

2023 LEASE AGREEMENTS

We refer to the announcement of the Company on leasing of office premises dated 31 December 2021, according to which each of Founder Electronics and Founder EasiPrint entered into a lease agreement with Peking Founder to lease certain premises at Shangdi Founder Building on 31 December 2021. Such lease agreements were expired on 31 December 2022. Each of Founder Electronics and Founder EasiPrint renewed their respective leases with Peking Founder. According to the Proposal, the ownership of these premises at Shangdi Founder Building shall belong to New Founder. After arm's length negotiations with Peking Founder, the lease agreements with Peking Founder were terminated on 30 June 2023.

As Founder Electronics and Founder EasiPrint intend to continue to lease such premises at Shangdi Founder Building, on 26 June 2023, each of Founder Electronics and Founder EasiPrint entered into a new lease agreement with New Founder to lease certain premises at Shangdi Founder Building from New Founder. The 2023 Lease Agreements will come into effect on 1 July 2023 and expire on 31 December 2023.

Principal Terms of Founder Electronics Lease Agreement

Lessee	Founder Electronics
Lessor	New Founder
Property leased	1st floor (part) of Block 1, 2nd floor (entire) of Block 1, 3rd floor (entire) of Block 1, 4th floor (part) of Block 1 and 5th floor (entire) of Block 1 of Shangdi Founder Building
Area	7,594.55 square meters
Rent period	1 July 2023 to 31 December 2023
Total rental	RMB5,322,260.64 (equivalent to approximately HK\$5,889,000)
Other principal terms and conditions	<p>The rental is payable in cash quarterly in advance.</p> <p>Subject to compliance with the Listing Rules, the lessee shall give at least three-month written notice to the lessor before the expiry of the lease in order to continue to lease the relevant premises from the lessor or terminate the lease when it expires.</p> <p>Neither party shall terminate the lease in advance without cause unless both parties agree or otherwise permitted in the lease, and prior notice no less than one month before is served. Each of the lessor and lessee will have the right to terminate the lease if the other party fails to comply with the terms and conditions of the agreement.</p>

Principal Terms of Founder EasiPrint Lease Agreement

Lessee	Founder EasiPrint
Lessor	New Founder
Property leased	4th floor (part) of Block 1, 1st floor (part) of underground of Block 1 and 1 floor (part) of underground of Block 2 of Shangdi Founder Building

Area	5,680.04 square meters
Rent period	1 July 2023 to 31 December 2023
Total annual rental	RMB1,420,695.72 (equivalent to approximately HK\$1,572,000)
Other principal terms and conditions	<p>The rental is payable in cash quarterly in advance.</p> <p>Subject to compliance with the Listing Rules, the lessee shall give at least three-month written notice to the lessor before the expiry of the lease in order to continue to lease the relevant premises from the lessor or terminate the lease when it expires.</p> <p>Neither party shall terminate the lease in advance without cause unless both parties agree or otherwise permitted in the lease, and prior notice no less than one month before is served. Each of the lessor and lessee will have the right to terminate the lease if the other party fails to comply with the terms and conditions of the agreement.</p>

Reasons for and Benefits of the 2023 Lease Agreements

The Group has been leasing certain premises at Shangdi Founder Building as offices for over ten years. The lease agreements between each of Founder Electronics and Founder EasiPrint with Peking Founder were terminated on 30 June 2023. As the Founder Electronics and Founder EasiPrint intend to continue to lease such premises at Shangdi Founder Building, on 26 June 2023, the Group entered into the 2023 Lease Agreements with New Founder for a term of six months ending on 31 December 2023.

The terms of the 2023 Lease Agreements, including the rental payable by the Group, are arrived at after arm's length negotiations between the parties taking account of (i) the market rent of properties in Shangdi area of Beijing, which has been obtained through the Company's enquiries with estate agents; (ii) the historical transaction amounts in respect of the leasing of office premises between the subsidiaries of the Company and Peking Founder; and (iii) the estimated rent of properties in the coming year in Shangdi area of Beijing.

The Directors (including the independent non-executive Directors) are of the view that transactions under the 2023 Lease Agreements are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group 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 OF THE NEW FOUNDER GROUP

New 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.

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 holds 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

As at the date of this announcement, New Founder is interested in 30.60% equity interest of the Company and therefore a controlling shareholder and a connected person of the Company under the Listing Rules. Meanwhile, Founder Electronics and Founder EasiPrint are wholly-owned subsidiaries of the Company.

The Group adopted HKFRS 16 using the modified retrospective method of adoption from 1 January 2019. Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. However, as allowed under HKFRS 16, the Group has elected not to recognise right-of-use assets and lease liabilities for leases that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term. Therefore the leases under the 2023 Lease Agreements will be continuing connected transactions of the Company.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) for the transactions contemplated under the 2023 Lease Agreements exceeds 0.1% and is less than 5%, the transactions contemplated under the 2023 Lease Agreements are subject to the reporting, annual review and announcement requirements but are 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 2023 Lease Agreements and will be required to abstain from voting on the relevant Board resolution approving the 2023 Lease Agreements.

In addition, each of Founder Electronics and Founder EasiPrint entered into a management agreement with Beida Management, an associate of New Founder, according to which Beida Management will provide each of Founder Electronics and Founder EasiPrint with property management services in relation to their respective office premises leased at Shangdi Founder Building. The details of the 2023 Management Agreements were set out in the announcement of the Company dated 11 January 2023.

The 2023 Lease Agreements and the 2023 Management Agreements have been aggregated for the Listing Rules Purposes on the basis that they all relate to the same properties that Founder Electronics and Founder EasiPrint leased from New Founder at Shangdi Founder Building. As the highest applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the transactions contemplated under the 2023 Lease Agreements and 2023 Management Agreements in aggregate exceed 0.1% and is less than 5%, the transactions contemplated under the 2023 Lease Agreements and 2023 Management Agreements are subject to the reporting, annual review and announcement requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

DEFINITIONS

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

“2023 Lease Agreements”	Founder Electronics Lease Agreement and Founder EasiPrint Lease Agreement
“2023 Management Agreements”	the management agreements entered into between each of Founder Electronics and Founder EasiPrint with Beida Management as set out the in announcement of the Company dated 11 January 2023
“associate(s)”	has the meaning as ascribed thereto under the Listing Rules
“Beida Management”	北京北大資源物業經營管理集團有限公司 (Beijing Peking University Resource Property Management Group Co., Ltd.*), a company incorporated in the PRC which is principally engaged in property leasing business and an associate of New Founder
“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 under the Listing Rules
“controlling shareholder”	has the same meaning as ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Five Companies including Peking Founder”	Peking University Founder Group Company Limited, 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 EasiPrint”	北京方正印捷數碼技術有限公司 (Beijing Founder EasiPrint Digital Technology Co., Ltd.*), a company incorporated in the PRC and a wholly-owned subsidiary of the Company which is principally engaged in software development and systems integration business
“Founder EasiPrint Lease Agreement”	the lease agreement dated 26 June 2023 and entered into between Founder EasiPrint and New Founder in relation to the lease of certain premises at Shangdi Founder Building by Founder EasiPrint from Peking Founder for a term of six months ending on 31 December 2023
“Founder Electronics”	北京北大方正電子有限公司 (Beijing Founder Electronics Co., Ltd.*), a company incorporated in the PRC and a wholly-owned subsidiary of the Company which is principally engaged in software development and systems integration business
“Founder Electronics Lease Agreement”	the lease agreement dated 26 June 2023 and entered into between Founder Electronics and New Founder in relation to the lease of certain premises at Shangdi Founder Building by Founder Electronics from Peking Founder for a term of a six months ending on 31 December 2023
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“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) as at the date of this announcement

“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
“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
“Proposal”	the restructuring proposal in respect of Peking Founder as set out in the restructuring investment agreement and related documents. The details of which have been set out in the announcement of the Company dated 30 April 2021, 5 May 2021 and 8 July 2021
“RMB”	Renminbi, the lawful currency of the PRC
“Shangdi Founder Building”	上地方正大廈 (Shangdi Founder Building) at No. 9, Shangdi 5th Street (also known as Shangdi Information Industry Base), Haidian District, Beijing, the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“%”	per cent.

By Order of the Board
Founder Holdings Limited
Shao Xing
President

Hong Kong, 26 June 2023

The exchange rate adopted in this announcement for illustration purpose only is RMB1.00 = HK\$1.1065.

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, Mr. Lai Nga Ming, Edmund and Mr. Chak Chi Shing.

** For identification purpose only*