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

**MONTHLY PROGRESS UPDATE
PURSUANT TO RULE 3.7 OF THE TAKEOVERS CODE
AND
INSIDE INFORMATION ANNOUNCEMENT ON UPDATE ON
THE ENTRUSTED LOAN TO PEKING FOUNDER**

This announcement is made pursuant to Rule 3.7 of The Code on Takeovers and Mergers (the “**Takeovers Code**”), Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the “**SFO**”).

References are made to the announcements of Founder Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 18 February 2020, 19 February 2020, 17 July 2020, 31 July 2020, 25 January 2021, 29 January 2021, 30 April 2021 and 5 May 2021 in relation to, among other things, the Proposal. References are also made to the circular of the Company dated 15 November 2016, the announcement of the Company dated 2 March 2020 and the 2019 annual report of the Company published on 22 April 2020 (the “**2019 Annual Report**”) in relation to the 2016 Entrusted Loan Master Agreement between the Company and Peking Founder. Unless otherwise stated, capitalized terms used herein shall have the same meanings as those defined in the abovementioned announcements, circular and the 2019 Annual Report.

UPDATE ON THE PROPOSAL

The Board wishes to update shareholders of the Company and potential investors that, at 9:30 a.m. on 28 May 2021, the Five Companies including Peking Founder convened a creditors and contributors’ meeting (the “**Creditors and Contributors’ Meeting**”) to review and vote on the Proposal. The Creditors and Contributors’ Meeting was held in the form

of an online meeting through the “Information Website of National Bankrupt Enterprises Recombinational Cases” (全國企業破產重整案件信息網) (<http://pccz.court.gov.cn>), with offline written voting and online voting, at which resolutions regarding the matters of the Proposal were approved.

The Board wishes to emphasize that the Proposal is still subject to the approval by the Court. There is no assurance that the Proposal would be approved by the Court, and accordingly the Proposal may or may not result in a change of controlling shareholder of the Company.

MONTHLY ANNOUNCEMENTS

In compliance with Rule 3.7 of the Takeovers Code, monthly announcement(s) will be made by the Company until an announcement is made of a firm intention to make an offer under Rule 3.5 of the Takeovers Code or of a decision not to proceed with the offer.

UPDATE ON THE ENTRUSTED LOAN TO PEKING FOUNDER

As disclosed in the 2019 Annual Report, the Group made a provision for impairment of the defaulted entrusted loans granted to Peking Founder under the 2016 Entrusted Loan Master Agreement in the aggregate amount of RMB382 million in the financial statements of the Group of 2019.

According to the Proposal, each ordinary creditor of Peking Founder will be entitled to receive:

- (i) for the portion of its outstanding balance that is less than RMB1 million, full repayment of such portion in cash; and
- (ii) for the portion of its outstanding balance that is over RMB1 million, (a) a combination of cash and shares in the new Founder Group after the restructuring, (b) cash payments for a percentage of such portion of its outstanding balance, or (c) a combination of cash and receivables for a percentage of such portion of its outstanding balance.

According to the Proposal, to avoid cross-shareholding between the Group and Peking Founder, the Group can only choose to receive cash payment for its Outstanding Entrusted Loan.

If the Proposal is approved by the Court, the Group may be able to recover and reverse the provision for impairment for a portion of its Outstanding Entrusted Loan.

The final amount of the Outstanding Entrusted Loan that the Group will be able to recover is subject to the approval of the Court on the Proposal.

The Company will continue to closely follow the subsequent development and influence of this incident. Further announcement(s) will be made by the Company as and when appropriate or required in accordance with the Listing Rules, the SFO and/or the Takeovers Code (as the case may be).

WARNING: Shareholders and potential investors should be aware that the Proposal may or may not proceed. There is no assurance that any transaction mentioned in this announcement will materialise or eventually be consummated and the discussions may or may not result in the change of controlling shareholders of the Company. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisors.

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

Hong Kong, 28 May 2021

As at the date of this announcement, the Board comprises executive directors of Mr Cheung Shuen Lung (Chairman), Mr Shao Xing (President), Professor Xiao Jian Guo, Ms Zuo Jin, 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.

The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statements in this announcement misleading.

* *For identification purpose only*