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

INSIDE INFORMATION
ANNOUNCEMENT ON DEFAULT OF THE ENTRUSTED LOAN TO
PEKING FOUNDER

This announcement is made by the Founder Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to 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**”).

Reference is made to the announcement of the Company dated 19 February 2020 in relation to the notification letter from Peking University Founder Group Company Limited (“**Peking Founder**”), a controlling shareholder of the Company established in PRC, on its judicial restructuring, and the circular of the Company dated 15 November 2016 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 defined in such announcement and circular.

As at the date of this announcement, the outstanding amount of the entrusted loan granted by the Group to Peking Founder under the 2016 Entrusted Loan Master Agreement is RMB370 million (the “**Outstanding Entrusted Loan**”). After considering the operating and financial position of Peking Founder, the Outstanding Entrusted Loan is declared due by the Company. Given the judicial restructuring of Peking Founder has been initiated, Peking Founder is not allowed to settle individual debts, including the Outstanding Entrusted Loan or its interests, during the restructuring period according to the relevant laws and regulations on judicial restructuring and therefore, the settlement of the Outstanding Entrusted Loan and its interests owed by Peking Founder to the Group can only be enforced in accordance with the restructuring plan to be finally determined by the Court. The Company will seek legal advices and make efforts to recover such Outstanding Entrusted Loan and its interests according to relevant laws and regulations.

The default of the entrusted loan by Peking Founder may result in impairment of such entrusted loan and have impact on the Group's financial statement for the year ended 31 December 2019. The management and auditors of the Company are still evaluating such impact. Nevertheless, the Directors consider that the Group currently maintains a healthy financial position with cash sufficient for its operation on hand. As of the date of this announcement, the production, operation and management of the Group is normal and stable. However, the restructuring of Peking Founder may have impact on the shareholding structure of the Group.

The Company will continue to closely monitor the subsequent development and impact of this incident and the status of entrusted loan receivables from Peking Founder, and comply with relevant disclosure requirements under the Listing Rules and the SFO in a timely manner.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 2 March 2020

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, Ms Zuo Jin, Mr Hu Bin and Ms Liao Hang, and the independent non-executive directors of Mr Li Fat Chung, Ms Wong Lam Kit Yee and Mr Chan Chung Kik, Lewis.

* *For identification purposes only*