

The Investment of Ping An Group in Founder Group Restructuring Project

April 2021



Transaction Background & Rationale: To Invest in Large-sized and High-quality Restructuring Transaction

Transaction Background

- Founder Group is a **state-controlled conglomerate with a nationwide footprint and strong brand awareness and influence founded by Peking University**. However, as Founder Group and some of its subsidiaries have been faced with poor operation and insolvency due to external and internal factors in recent years, the court has ruled that a judicial procedure of restructuring will be initiated for the group company and its four major subsidiaries

Investment Rationale

- ☑ This investment will drive Ping An Group to boost its strategic layout in the healthcare sector and enhance its healthcare ecosystem
- ☑ Ping An Group will strive to achieve outstanding investments returns and social effects through this investment, which will further enhance its comprehensive strengths and corporate status
- ☑ The proposed investment is in line with the major national strategies to encourage insurance funds to support the development of the real economy and to promote the reform of university-backed enterprises
- ☑ Ping An Group's experience in restructuring and special asset investment can help Founder Group to resolve its debt crisis and return to the track of sound and sustainable development

Note: The restructuring entity refers to Founder Group Co., Ltd. and its 4 subsidiaries Founder Industry Holdings Co., Ltd., PKU Healthcare Industry Group Co., Ltd., Peking University Founder Information Industry Group Co., Ltd., and Peking University Resources Group Co., Ltd.

Transaction Background & Rationale: To Enhance Healthcare Ecosystem as New Growth Driver



The proposed investment can further deepen Ping An Group's strategic layout in the medical and health industry and enhance its healthcare ecosystem

Basic Transaction Elements

- **Investors:** Ping An Group (authorizing Ping An Life to participate), Huafa Group (representing Zhuhai SASAC) and SDG (authorizing Shenchao Technology to participate)
- **Restructuring method: Asset sale and takeover.** A new entity known as New Founder Group will be incorporated to retain the high-quality assets of Founder Group. Investors will acquire the equity of New Founder Group
- **Restructuring plan:** Ping An Group and Huafa Group or their designated entity will acquire the remaining not less than 73% stake in New Founder Group on a 7:3 split basis. Separately, SDG or its designated entity will independently undertake all the rights and interests of Founder Electronics held by the restructuring entity
- **Investment by Ping An Life:** Ping An Life will acquire 51.1%-70.0% stake in New Founder Group at a consideration of **RMB37.05bn-50.75bn with internal resources**

Core Assets to be Acquired: Medical & Healthcare and Finance

Medical & Healthcare

- Relying on Peking University and Peking University Health Science Center, it has a **healthcare service system consisting of Peking University International Hospital as the flagship hospital and over ten healthcare institutions, with more than 10,000 hospital beds**
- Peking University International Hospital has **a total construction area of 440,000 square meters, a total investment of RMB 4.5 billion, 1,800 approved beds, and more than 60 medical clinical and medical technology departments**. It is the first domestic hospital whose information system reaches Stage 7 of Healthcare Information and Management Systems Society in the US
- Have **PKU Healthcare IT**, China's first enterprise engaged in healthcare information technology, **PKU Healthcare (000788.SZ)**, a key pharmaceutical enterprise in China, and a healthcare industrial park

Finance

- **Founder Securities (601901.SH)** and **PKU Founder Life** as core entities, with businesses covering securities, futures, funds, insurance and other fields
- Founder Securities is the **first batch of comprehensive securities companies** in China. The company now has **24** regional branches, **347** securities business outlets, and **36** futures branches. They are distributed in important central cities in **28** provinces (cities, autonomous regions) across the country. The company's latest market value is **RMB 78.8 billion**. As of the end of 2020, **Founder Securities' total assets are RMB 123.3 billion. In 2020, it realized operating income of RMB 7.54 billion and total profit of RMB 1.55 billion**

Note: The source of the information is the announcement of the listed company, the company's official website, the announcement of restructuring administrator and Wind Database. The latest market value of Founder Securities is as of April 29, 2021

Core Assets to be Acquired: Information Technology and Education

Information Technology

- Include **Founder Technology (600601.SH)** and other companies, with business covering printed circuit boards (PCB), packaging substrates, printing and publishing, smart city solutions and other fields
- Founder Technology is a **leading domestic PCB company**. In 2019, it ranked **8th** among domestic-funded PCB companies. In 2020 the company's PCB business achieved operating income of **RMB 3.22 billion** and net profit of **RMB 320 million**

Education

- Mainly include **China Hi-Tech Group (600730.SH)**, **Peking University Founder Technology College**, etc.
- The main business of China Hi-Tech Group is vocational education. In 2020, it achieved an operating income of **RMB 103 million** and a net profit of **RMB 32 million**
- Peking University Founder Technology College is a full-time private higher vocational college registered by the Ministry of Education with **14 majors** for students to choose

Note: The source of the information is the announcement of the listed company and the company's official website

Approval procedures for this transaction and related risk reminders

Time or Number	Key Issue
1. Approval procedures that have been completed	
February 19, 2020	Beijing First Intermediate People's Court to rule on accepting creditors' application for Founder Group restructuring
July 31, 2020	Beijing First Intermediate People's Court to rule on accepting merger and restructuring of five companies including Founder Group
September 18, 2020*	Deliberated at the 17th meeting of the 11th session of the board of directors, it was approved that Ping An Group would participate in the restructuring project of Founder Group within the scope of authorization
January 29, 2021	Restructuring Administrator to determine investors of the restructuring (the consortium composed of Ping An Group, Huafa Group and SDG)
April 30, 2021*	Deliberated at the 3rd meeting of the 12th session of Ping An Group's board of directors and deliberated at the 9th meeting of the 7th session of Ping An Life's board of directors, it was approved that Ping An Life signed the Restructuring Investment Agreement
2. Additional approval procedures to be fulfilled	
1	China Banking and Insurance Regulatory Commission to approve Ping An Life's major equity investment
2	The draft restructuring plan to be approved by the People's Court
3	Other approval matters that may be involved in the requirements of relevant regulatory agencies
3. Reminders on risks related to this transaction	
<ul style="list-style-type: none">■ Due to the large number of stakeholders involved, the transaction plan is very complicated. If there is a situation where the restructuring plan cannot be implemented, there is still uncertainty about whether the restructuring can be implemented smoothly. Also there is uncertainty about whether the daily management, business integration, coordinated development of New Founder Group can be implemented with Ping An Group smoothly. In addition, this restructuring may also involve insufficient disclosure of the relevant risks of the cooperation of the parties in the agreement and other unpredictable risks	

Note: * is the internal review procedure performed by Ping An Group and Ping An Life

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Thanks

