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CONNECTED TRANSACTION

ACQUISITION OF INTELLECTUAL PROPERTY RIGHTS AND FIXED ASSETS

ACQUISITION OF INTELLECTUAL PROPERTY RIGHTS AND FIXED ASSETS

On 31 October 2014, Beijing Founder Electronics, an indirect wholly-owned subsidiary of the Company, has entered into the Technology Transfer Agreements I and Fixed Assets Transfer Agreement I with Shanghai Founder, pursuant to which Beijing Founder Electronics will acquire and Shanghai Founder will sell the Patents I and Fixed Assets I at a consideration of RMB7.89 million (equivalent to approximately HK\$9.97 million) and approximately RMB0.18 million (equivalent to approximately HK\$0.23 million) respectively.

On 31 October 2014, Beijing Founder Electronics, an indirect wholly-owned subsidiary of the Company, has entered into the Technology Transfer Agreement II with Founder Mobile, pursuant to which Beijing Founder Electronics will acquire and Founder Mobile will sell the Patents II at a consideration of RMB2 million (equivalent to approximately HK\$2.53 million).

LISTING RULES IMPLICATIONS

Both Shanghai Founder and Founder Mobile are non wholly-owned subsidiaries of Peking Founder, which is the controlling shareholder of the Company indirectly holding approximately 30.60% of the issued share capital of the Company. Therefore, both Shanghai Founder and Founder Mobile are associates of Peking Founder, a connected person of the Company for the purposes of the Listing Rules. Accordingly, the transactions contemplated under the Technology Transfer Agreements I, Fixed Assets Transfer Agreement I and Technology Transfer Agreement II will constitute connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios (as defined under Rule 14A.06 of the Listing Rules) in respect of the transactions contemplated under the Technology Transfer Agreements I, Fixed Assets Transfer Agreement I and Technology Transfer Agreement II are less than 5% while one or more applicable percentage ratios exceed 0.1%, the transactions contemplated thereunder are only subject to the reporting and announcement requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

TECHNOLOGY TRANSFER AGREEMENTS AND FIXED ASSETS TRANSFER AGREEMENT I

Technology Transfer Agreements I

Date 31 October 2014

Parties Beijing Founder Electronics, as purchaser;
Shanghai Founder, as vendor

Pursuant to the Technology Transfer Agreements I, Shanghai Founder is to sell to Beijing Founder Electronics the Patents I at an aggregate consideration of RMB7.89 million (equivalent to approximately HK\$9.97 million), which was agreed by the parties after arm's length negotiations by reference to the preliminary valuation of an independent firm of qualified valuer.

Fixed Assets Transfer Agreement I

Date 31 October 2014

Parties Beijing Founder Electronics, as purchaser;
Shanghai Founder, as vendor

Pursuant to the Fixed Assets Transfer Agreement I, Shanghai Founder is to sell to Beijing Founder Electronics the Fixed Assets I at a consideration of approximately RMB0.18 million (equivalent to approximately HK\$0.23 million), which has agreed by the parties after arm's length negotiations by reference to the net book value of Fixed Assets I as at 30 June 2014.

Technology Transfer Agreement II

Date 31 October 2014

Parties Beijing Founder Electronics, as purchaser
Founder Mobile, as vendor

Pursuant to the Technology Transfer Agreement II, Founder Mobile is to sell to Beijing Founder the Patents II at an aggregate consideration of RMB2 million (equivalent to approximately HK\$2.53 million), which was agreed by the parties after arm's length negotiations by reference to the preliminary valuation of an independent firm of qualified valuer.

Payment

The consideration under the Technology Transfer Agreements I, Fixed Assets Transfer Agreement I and Technology Transfer Agreement II shall be settled by Beijing Founder Electronics by its own internal resources in cash as following:

Technology Transfer Agreements I

The consideration is payable within 30 days from the date of agreements.

Fixed Assets Transfer Agreement I

The consideration is payable within 10 days from the date of agreement and completion of transfer of Fixed Assets I, whichever is latter.

Technology Transfer Agreement II

The consideration is payable within 20 days from the date of agreement.

THE PATENTS AND FIXED ASSETS

The Patents I comprises of 4 self developed patents and 3 self developed in progress patents. Patents are applied in miao miao yin (喵喵印) for printing on demand, corporate connectivity (企業互聯) and intellectual business enterprise (智匯企業) system.

The Fixed Assets I comprises of 27 items of office equipment and 19 items of servers.

The Patents II comprises of 2 patents application rights. Patents application rights are applied in mobile Chinese poetry (詩詞中國) and mobile Chinese government (移動政務) systems.

INFORMATION OF PARTIES

The Group is principally engaged in software development and the provision of systems integration services relating to the media and non-media industries including financial institutions, enterprises and government departments.

Shanghai Founder is principally engaged in research and development in the technology of digital publication.

Founder Mobile is principally engaged in the development of mobile networking and mobile media.

Peking Founder Group is principally engaged in the securities trading and brokerage and 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 the healthcare and pharmaceutical industry, including hospitals, pharmaceuticals, logistics, equipment leasing and hospital management.

REASONS AND BENEFITS OF THE ACQUISITIONS

The Company is of the view that the Acquisitions will enable the Group to make full use of the resources of technology in Patents I, Fixed Assets I and Patents II and will also enable the Group to enhance its information technology service to its customers.

The terms and conditions of the Acquisitions were agreed after arm's length negotiations between the parties. The Directors (including the independent non-executive Directors) are of the view that the Acquisitions are on normal commercial terms, and that the terms of the Acquisitions are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

Both Shanghai Founder and Founder Mobile are non wholly-owned subsidiaries of Peking Founder, which is the controlling shareholder of the Company indirectly holding approximately 30.60% of the issued share capital of the Company. Therefore, both Shanghai Founder and Founder Mobile are associates of Peking Founder, a connected person of the Company for the purposes of the Listing Rules. Accordingly, the transactions contemplated under the Technology Transfer Agreements I, Fixed Assets Transfer Agreement I and Technology Transfer Agreement II will constitute connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios (as defined under Rule 14A.06 of the Hong Kong Listing Rules) in respect of the transactions contemplated under the Technology Transfer Agreements I, Fixed Assets Transfer Agreement I and Technology Transfer Agreement II are less than 5% while one or more applicable percentage ratios exceed 0.1%, the transactions contemplated thereunder are only subject to the reporting and announcement requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Acquisitions”	acquisitions of Patents I, Fixed Assets I and Patents II under Technology Transfer Agreements I, Fixed Assets Transfer Agreement I and Technology Transfer Agreement II, respectively;
“associates”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Beijing Founder Electronics”	Beijing Founder Electronics Co., Ltd (北京北大方正电子有限公司), a limited liability company established in the PRC;

“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 (Stock Code: 00418);
“connected person”	has the meaning ascribed thereto in the Listing Rules;
“Directors”	the director(s) of the Company;
“Fixed Assets I”	fixed assets comprising 27 items of office equipment and 19 items of servers held by Shanghai Founder;
“Fixed Assets Transfer Agreement I”	the fixed assets transfer agreement dated 31 October 2014 entered into between Beijing Founder Electronics and Shanghai Founder in relation to the acquisition of Fixed Assets I;
“Founder Mobile”	Founder Mobile Media Technology (Beijing) Co., Ltd.* (方正移動傳媒技術(北京)有限公司), a limited liability company established in the PRC and a non wholly-owned subsidiary of Peking Founder;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Patents I”	patents comprising 4 self developed patents and 3 self developed in progress patents held by Shanghai Founder applied in miao miao yin (喵喵印) for printing on demand, corporate connectivity (企業互聯) and intellectual business enterprise (智匯企業) system;
“Patents II”	2 patents application rights held by Founder Mobile applied in mobile Chinese poetry (詩詞中國) and mobile Chinese government (移動政務) systems;
“Peking Founder”	北大方正集團有限公司 (Peking University Founder Group Company Limited*), a company established in the PRC with limited liability, 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;
“RMB”	Renminbi, the lawful currency of the PRC;

“Shanghai Founder”	Founder Digital Publishing Technology (Shanghai) Co., Ltd.* (上海方正數字出版技術有限公司), a limited liability company established in the PRC and a non wholly-owned subsidiary of Peking Founder;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meaning ascribed to it under the Listing Rules;
“Technology Transfer Agreements I”	3 technology transfer agreements dated 31 October 2014 entered into between Beijing Founder Electronics and Shanghai Founder in relation to the acquisition of Patents I;
“Technology Transfer Agreement II”	A technology transfer agreement dated 31 October 2014 entered into between Beijing Founder Electronics and Founder Mobile in relation to the acquisition of Patents II; and
“%”	per cent.

By order of the Board
Founder Holdings Limited
Fang Zhong Hua
Chairman

Hong Kong, 31 October 2014

As at the date of this announcement, the board of directors of the Company comprises executive directors of Mr Fang Zhong Hua (Chairman), Professor Xiao Jian Guo (Deputy Chairman), Professor Yang Bin (President), Ms Yi Mei, Ms Zuo Jin and Ms Liu Yu Xiao, and the independent non-executive directors of Mr Li Fat Chung, Ms Wong Lam Kit Yee and Mr Fung Man Yin, Sammy.

* *For identification purpose only*