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CONNECTED TRANSACTION

DISPOSAL OF INTELLECTUAL PROPERTY RIGHTS

DISPOSAL OF INTELLECTUAL PROPERTY RIGHTS

On 28 December 2016, Beijing Founder Electronics, an indirect wholly-owned subsidiary of the Company, entered into the Technology Transfer Agreement with Founder Information, pursuant to which Founder Information will acquire, and Beijing Founder Electronics will sell, the Intellectual Property Rights at a consideration of approximately RMB7.63 million (equivalent to approximately HK\$8.55 million).

LISTING RULES IMPLICATIONS

Founder Information is the controlling shareholder of the Company directly holding approximately 30.60% of the issued share capital of the Company at the date of this announcement. Therefore, Founder Information is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Technology Transfer Agreement will constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14A.07 of the Listing Rules) in respect of the transactions contemplated under the Technology Transfer Agreement is more than 0.1% but less than 5%, 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 AGREEMENT

On 28 December 2016, Beijing Founder Electronics entered into the Technology Transfer Agreement with Founder Information, the details of which are set out as follows.

Date 28 December 2016

Parties Founder Information, as transferee;
Beijing Founder Electronics, as transferer

Consideration

Pursuant to the Technology Transfer Agreement, Beijing Founder Electronics will sell to Founder Information the Intellectual Property Rights at an aggregate consideration of approximately RMB7.63 million (equivalent to approximately HK\$8.55 million), which is the valuation by an independent and qualified valuer.

After taking into account the consideration and the related transaction costs, it is estimated that a gain of approximately RMB4.98 million (equivalent to approximately HK\$5.58 million) will be recorded for the Group. The proceeds of approximately RMB7.63 million (equivalent to approximately HK\$8.55 million) arising from the Disposal will be used for general working capital of the Group.

The Intellectual Property Rights

The Intellectual Property Rights comprise four software copyrights (i.e. Chengyun Zhiyin Chushuba Printing Order Software V1.0, Chengyun Zhihui Enterprise Employee Social Service Software V1.0, Chengyun Zhiyin Presswork Management Platform Software V1.0 and Shanghai Founder Miao Miao Yin Distribution Platform V1.0) and one non-patented technology (i.e., Enterprise Products Exhibition Platform). The Intellectual Property Rights are applied in Miao Miao Yin business. Miao Miao Yin is a business-to-customer printing website featuring printing on demand. The major businesses of Miao Miao Yin comprise on-line photo printing and personalized printed products printing.

Payment

The consideration under the Technology Transfer Agreement shall be paid by Founder Information with its own internal resources in cash within five days from the date of the Technology Transfer Agreement.

INFORMATION OF PARTIES

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

Founder Information is principally engaged in information technology and software development.

REASONS AND BENEFITS OF THE DISPOSAL

Since the inception of Miao Miao Yin business in the first quarter of 2015, the financial and operating results of Miao Miao Yin business did not meet the expectation. The Disposal provides the Group an opportunity to streamline its business model and enhance its profitability by the disposal of a loss-making business. In addition, the Group will not need to provide resources for the ongoing development of Miao Miao Yin business anymore after the Disposal, and such resources can be used for the other businesses of the Group.

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

LISTING RULES IMPLICATIONS

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As Mr. Cheung Shuen Lung is a director of Peking University Founder Group Company Limited (holding 100% interest of Founder Information and an associate of Founder Information) and therefore is deemed to have a material interest in the Technology Transfer Agreement, Mr. Cheung Shuen Lung has abstained from voting on the relevant Board resolution approving the transactions contemplated under the Technology Transfer Agreement. Save for the above, to the best knowledge, information and belief of the Directors after having made all reasonable enquiries, no other Director has material interest in the Technology Transfer Agreement and will be required to abstain from voting on the relevant resolution to approve the Technology Transfer Agreement at the Board meeting.

DEFINITIONS

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

“associates”	has the meaning ascribed to it under the Listing Rules;
“Beijing Founder Electronics”	Beijing Founder Electronics Co., Ltd (北京北大方正電子有限公司), a limited liability company established in the PRC, and an indirect wholly-owned subsidiary of the Company;
“Board”	the board of Directors;
“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 to it under the Listing Rules;
“Directors”	the director(s) of the Company;
“Disposal”	the disposal of the Intellectual Property Rights under the Technology Transfer Agreement;
“Founder Information”	北大方正信息產業集團有限公司 (Peking University Founder Information Industry Group Co., Ltd.*), a company established in the PRC with limited liability, the controlling shareholder of the Company, which directly holds approximately 30.60% of the issued share capital of the Company at the date of this announcement;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;

“Intellectual Property Rights”	intellectual property rights comprising four software copyrights (i.e. Chengyun Zhiyin Chushuba Printing Order Software V1.0, Chengyun Zhihui Enterprise Employee Social Service Software V1.0, Chengyun Zhiyin Presswork Management Platform Software V1.0 and Shanghai Founder Miao Miao Yin Distribution Platform V1.0) and one non-patented technology (i.e., Enterprise Products Exhibition Platform) held by Beijing Founder Electronics applied in Miao Miao Yin (喵喵印) business for printing on demand;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meaning ascribed to it under the Listing Rules;
“Technology Transfer Agreement”	the technology transfer agreement dated 28 December 2016 entered into between Beijing Founder Electronics and Founder Information in relation to the Disposal; and
“%”	per cent.

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

Hong Kong, 28 December 2016

The exchange rate adopted in this announcement for illustration purpose only is RMB1.00 = HK\$1.12

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), Ms. Zuo Jin, Mr. Hu Bin, Mr. Cui Yun Tao and Ms. Liao Hang, 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