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FOUNDER HOLDINGS LIMITED
方正控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00418)

CONTINUING CONNECTED TRANSACTIONS MASTER PURCHASE AGREEMENT

THE MASTER PURCHASE AGREEMENT

Reference is made to the announcement of the Company dated 30 December 2014. On 30 December 2014, the Company and Peking Founder entered into the Existing Master Purchase Agreement pursuant to which the Group would purchase certain information products and research and development services from Peking Founder Group. The Existing Master Purchase Agreement will expire on 31 December 2017. On 3 November 2017, the Company and Peking Founder entered into the Master Purchase Agreement with a term of three years for the period from 1 January 2018 to 31 December 2020, which is a renewal of the Existing Purchase Agreement.

LISTING RULES REQUIREMENTS

Peking Founder is the controlling shareholder of the Company holding approximately 30.60% of the issued share capital of the Company as at the date of this announcement, and thus a connected person of the Company for the purposes of the Listing Rules. Accordingly, the transactions contemplated under the Master Purchase Agreement will constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the transactions contemplated under the Master Purchase Agreement exceeds 0.1% and all of the relevant percentage ratios are less than 5%, the transactions contemplated under the Master Purchase Agreement are subject to the reporting, annual review and announcement requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

Introduction

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Principal Terms of the Master Purchase Agreement

Peking Founder Group will provide information products and research and development services to the Group at market prices determined at the relevant time: (i) with reference to the prices and credit terms at which such products and services are supplied, on normal commercial terms in its ordinary and usual course of business, to customers which are Independent Third Parties in the local market and/or adjacent regions; or (ii) where no comparables as stated in (i) are available, with reference to the prices and credit terms at which such products and services are supplied, on normal commercial terms in its ordinary and usual course of business, to customers which are Independent Third Parties in the PRC; or (iii) where none of the above comparables is available, with reference to the prices and credit terms agreed between the parties on arm's length basis and which are fair and reasonable in the interests of the shareholders of the Company as a whole.

Historical Transaction Amounts and Proposed Caps

The historical figures, the historical annual caps and the proposed annual caps in respect of the Master Purchase Agreement are as follows:

	Year ended 31 December 2015	Year ended 31 December 2016	Six months ended 30 June 2017	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020
Historical figures							
<i>RMB million</i>	3.0	5.0	0.2	N/A	N/A	N/A	N/A
<i>HK\$ million</i> (approximately)	3.5	5.9	0.2	N/A	N/A	N/A	N/A
Historical annual caps							
<i>RMB million</i>	12	12	N/A	12	N/A	N/A	N/A
<i>HK\$ million</i> (approximately)	15	15	N/A	15	N/A	N/A	N/A
Proposed annual caps							
<i>RMB million</i>	N/A	N/A	N/A	N/A	10	11	12
<i>HK\$ million</i> (approximately)	N/A	N/A	N/A	N/A	12	13	14

The proposed annual caps have been determined with reference to (1) the historical purchase pattern; (2) the estimated sales of the information products and research and development services by the Group for each of the three years ending 31 December 2020; and (3) the estimated prices for the purchase and sales of the products and services mentioned above by the Group.

Reasons for and benefits of the Master Purchase Agreement

Peking Founder Group is engaged in a wide array of businesses, among which one of its businesses is the provision of software solutions and services. Compared with recruiting more research and development staff and acquiring the relevant equipment, the Board considers it more cost effective to leverage on the research and development capability of Peking Founder Group so that the Group could maximize its profit margin.

The Board considers that the terms of the Master Purchase Agreement were arrived at after arm's length negotiations between the parties involved and entered into in the ordinary and usual course of business of the Group. The Directors (including the independent non-executive Directors) consider that the terms of the Master Purchase Agreement and its proposed annual caps are fair and reasonable and the transactions contemplated under the Master Purchase Agreement are on normal commercial terms in the ordinary and usual course of business of the Group and are in the interests of the Company and its shareholders as a whole.

Information of the Group

The Group is principally engaged in software development and provision of systems integration services relating to the media and non-media industries including financial institutions, enterprises and government departments. The Group purchases information hardware products for its customers in order to establish computer systems. It also provides software and hardware solutions to its customers as well as for use in its software development business.

Information on Peking Founder Group

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

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As one or more of the percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the transactions contemplated under the Master Purchase Agreement exceeds 0.1% and all of the relevant percentage ratios are less than 5%, the transactions contemplated under the Master Purchase Agreement are subject to the reporting, annual review and announcement requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

As Mr. Cheung Shuen Lung is a director of Peking University Founder Group Company Limited and therefore is deemed to have a material interest in the Master Purchase Agreement, Mr. Cheung Shuen Lung has abstained from voting on the relevant Board resolution approving the transactions contemplated under the Master Purchase 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 Master Purchase Agreement and will be required to abstain from voting on the relevant resolution to approve the Master Purchase Agreement at the Board meeting.

DEFINITIONS

“Board”	the board of Directors of the Company
“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)
“controlling shareholder”	has the same meaning as ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Master Purchase Agreement”	a master purchase agreement dated 30 December 2014 entered into between the Company and Peking Founder in relation to the purchase of information products and research and development services from Peking Founder Group for a three year term from 1 January 2015 to 31 December 2017
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Parties”	third parties independent of the Company and its connected persons (as defined in the Listing Rules)

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Master Purchase Agreement”	a master purchase agreement dated 3 November 2017 entered into between the Company and Peking Founder in relation to the purchase of information products and research and development services from Peking Founder Group for a 3 year term from 1 January 2018 to 31 December 2020
“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 and 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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“%”	per cent

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

Hong Kong, 3 November 2017

The exchange rate adopted in this announcement for illustration purpose only is RMB1.00 = HK\$1.187.

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. Chan Chung Kik, Lewis.

* For identification purposes only