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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**

### **THE NEW MASTER SALES AGREEMENT**

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Reference is made to the announcement of the Company dated 16 June 2016 and the circular of the Company dated 4 July 2016 in respect of the Master Sales Agreement entered into between Peking Founder and the Company. The Master Sales Agreement will expire on 31 December 2018. As the Company intends to continue to carry out the transactions contemplated under the Master Sales Agreement, the Company entered into the New Master Sales Agreement with Peking Founder on 25 October 2018, which will become effective from 1 January 2019 to 31 December 2021.

#### **LISTING RULES REQUIREMENTS**

Peking Founder is the controlling shareholder of the Company holding approximately 30.60% of the issued share capital of the Company, and thus a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the New Master Sales 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 New Master Sales Agreement exceeds 0.1% and all of the relevant percentage ratios are less than 5%, the transactions contemplated under the New Master Sales Agreement are subject to the reporting, annual review and announcement requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

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Pursuant to the New Master Sales Agreement, the Group should provide information products (including but not limited to software and hardware products as well as systems integration products) and hardware/software development services as well as systems integration services to the Peking Founder Group.

### **Pricing**

Information products acquired by the Group from third party suppliers will be supplied by the Group to the Peking Founder Group at a price based on the rack rate payable by the Group to such suppliers, exclusive of any freight charges and tax payable, at the time of purchase of the relevant information products plus a 1.4% commission which is determined with reference to the level of administrative and logistics effort.

In respect of the information products developed and supplied by the Group and other services provided by the Group to the Peking Founder Group, the Group will charge the Peking Founder Group with reference to the market price of such products and services at the relevant time of purchase. The market price is 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.

Further, the Peking Founder Group should bear all the freight charges, taxes and other relevant expenses in relation to the information products supplied to the Peking Founder Group. The information products and services provided by the Group will be used in the operation and business of the Peking Founder Group.

## Historical Figures and Proposed Annual Caps

The tables below set out the historical figures and the annual caps under the Master Sales Agreement, and the proposed annual caps under the New Master Sales Agreement:

### *Historical figures and annual caps under the Master Sales Agreement*

	<b>Year ended 31 December 2016 RMB'million</b>	<b>Year ended 31 December 2017 RMB'million</b>	<b>Six months ended 30 June 2018 RMB'million</b>	<b>Year ending 31 December 2018 RMB'million</b>
<b>Actual sales</b>	5.9	4.6	1.0	N/A
<b>Annual caps</b>	46	55	N/A	67

### *Proposed annual caps under the New Master Sales Agreement*

	<b>Year ending 31 December 2019 RMB'million</b>	<b>Year ending 31 December 2020 RMB'million</b>	<b>Year ending 31 December 2021 RMB'million</b>
<b>Proposed annual caps</b>	20	20	20

## Basis of Proposed Annual Caps

The proposed annual caps under the New Master Sales Agreement set out above are determined based on the following:

- (a) the historical figures of the relevant transactions; and
- (b) the expected market conditions of the products and services to be supplied by the Group under the New Master Sales Agreement.

## Reasons for and Benefits of the New Master Sales Agreement

The Directors believe that having a long-term customer such as the Peking Founder Group can effectively enhance the Group's financial performance. The Directors are of the opinion that the entering into of the New Master Sales Agreement with the proposed annual caps would encourage the Peking Founder Group to source such products and services from the Group and would therefore be beneficial to the Group.

The Directors (including the independent non-executive Directors) consider that the entering into of the New Master Sales Agreement is (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) fair and reasonable, and in the interests of the Company and its shareholders as a whole. The Directors (including the independent non-executive Directors) are also of the view that the proposed annual caps under the New Master Sales Agreement for the three years ending 31 December 2021 are fair and reasonable, and 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.

## **LISTING RULES REQUIREMENTS**

Peking Founder is the controlling shareholder of the Company indirectly holding approximately 30.60% of the issued share capital of the Company, and thus a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the New Master Sales 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 New Master Sales Agreement exceeds 0.1% and all of the relevant percentage ratios are less than 5%, the transactions contemplated under the New Master Sales 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 Founder and therefore is deemed to have a material interest in the New Master Sales Agreement, Mr. Cheung Shuen Lung has abstained from voting on the relevant Board resolution approving the transactions contemplated under the New Master Sales 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 New Master Sales Agreement and will be required to abstain from voting on the relevant resolution to approve the New Master Sales Agreement at the Board meeting.

## DEFINITIONS

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

“associates”	has the same meaning as ascribed thereto in the Listing Rules
“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 under the Stock Code: 00418
“connected person(s)”	has the same meaning as ascribed thereto in the Listing Rules
“controlling shareholder”	has the same meaning as ascribed thereto in the Listing Rules
“Director(s)”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Master Sales Agreement”	the agreement dated 16 June 2016 entered into between the Company and Peking Founder in relation to the sales of information products by the Group to the Peking Founder Group, the details of which were set out in the announcement of the Company dated 16 June 2016 and the circular of the Company dated 4 July 2016

“New Master Sales Agreement”	the new master sales agreement dated 25 October 2018 entered into between the Company and Peking Founder in relation to the sales of information products and the provision of hardware/software development services as well as systems integration services by the Group to the Peking Founder Group
“Peking Founder”	北大方正集團有限公司 (Peking University Founder Group Company Limited*), a company incorporated in the PRC with limited liabilities, 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 thereto in the Listing Rules
“%”	per cent

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

Hong Kong, 25 October 2018

*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 purpose only