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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**

### **LEASING OF OFFICE PREMISES**

#### **LEASING OF OFFICE PREMISES**

Reference is made to the announcement of the Company on leasing of office premises dated 28 December 2017. Each of Founder Electronics, Founder EasiPrint and Founder Digital Printing entered into a lease agreement and a management agreement with Beida Management to lease certain premises at Shangdi Founder Building from Beida Management. All of those agreements expired on 31 December 2019.

On 31 January 2020, each of Founder Electronics, Founder EasiPrint and Founder Digital Printing entered into a lease agreement and a management agreement with Beida Management respectively to lease certain premises at Shangdi Founder Building from Beida Management. All of the 2020 Lease and Management Agreements will expire on 31 December 2020.

#### **LISTING RULES IMPLICATIONS**

Peking Founder is a controlling shareholder of the Company indirectly 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. Beida Management is an associate of Peking Founder by virtue of the fact that Beida Management is a subsidiary of a company in which Peking Founder and its holding company own more than 30% equity interest in aggregate. Meanwhile, Founder Electronics, Founder EasiPrint and Founder Digital Printing are wholly-owned subsidiaries of the Company.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. However, as allowed under HKFRS 16, the Group has elected not to recognise right-of-use assets and lease liabilities for leases that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term. Therefore the leases and the property management services received by the Group under the 2020 Lease and Management Agreements will both be continuing connected transactions of the Company.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) for the transactions contemplated under the 2020 Lease and Management Agreements exceeds 0.1% and is less than 5%, the transactions contemplated under the 2020 Lease and Management Agreements are subject to the reporting, annual review and announcement requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

## **INTRODUCTION**

Reference is made to the announcement of the Company on leasing of office premises dated 28 December 2017. Each of Founder Electronics, Founder EasiPrint and Founder Digital Printing entered into a lease agreement and a management agreement with Beida Management respectively to lease certain premises at Shangdi Founder Building from Beida Management. All of those agreements expired on 31 December 2019.

On 31 January 2020, each of Founder Electronics, Founder EasiPrint and Founder Digital Printing entered into a lease agreement and a management agreement with Beida Management respectively to lease certain premises at Shangdi Founder Building from Beida Management. All of the 2020 Lease and Management Agreements will expire on 31 December 2020.

## **PRINCIPAL TERMS OF FOUNDER ELECTRONICS LEASE AGREEMENT AND MANAGEMENT AGREEMENT**

<b>Lessee</b>	Founder Electronics
<b>Lessor</b>	Beida Management
<b>Property leased</b>	3rd floor (part) and 4th floor (entire) of Block 1 of Shangdi Founder Building
<b>Area</b>	4,965.17 square meters
<b>Rent period</b>	1 February 2020 to 31 December 2020

<b>Rent-free period</b>	1 January 2020 to 31 January 2020
<b>Total annual rental</b>	RMB6,524,233.44 (equivalent to approximately HK\$7,268,000)
<b>Total annual management fee</b>	RMB1,812,287.04 (equivalent to approximately HK\$2,019,000)
<b>Other principal terms and conditions</b>	The rental and management fee are payable in cash quarterly in advance.

Subject to compliance with the Listing Rules, the lessee shall give at least three-month written notice to the lessor before the expiry of the lease in order to continue to lease the relevant premises from the lessor or terminate the lease when it expires.

Neither party shall terminate the lease in advance without cause unless both parties agree or otherwise permitted in the lease, and prior notice no less than one month before is served. Each of the lessor and lessee will have the right to terminate the lease if the other party fails to comply with the terms and conditions of the agreement.

The lessee shall be responsible for the payment of certain other fees, including, among other things, water, electricity and other utility fees according to relevant property management agreement.

## **PRINCIPAL TERMS OF FOUNDER EASIPRINT LEASE AGREEMENT AND MANAGEMENT AGREEMENT**

<b>Lessee</b>	Founder EasiPrint
<b>Lessor</b>	Beida Management
<b>Property leased</b>	1st floor (part), 2nd floor (entire), 3rd floor (part) and 5th floor (entire) of Block 1 of Shangdi Founder Building
<b>Area</b>	4,348.28 square meters
<b>Rent period</b>	1 February 2020 to 31 December 2020
<b>Rent-free period</b>	1 January 2020 to 31 January 2020

<b>Total annual rental</b>	RMB5,713,639.92 (equivalent to approximately HK\$6,365,000)
<b>Total annual management fee</b>	RMB1,587,122.16 (equivalent to approximately HK\$1,768,000)
<b>Other principal terms and conditions</b>	The rental and management fee are payable in cash quarterly in advance.

Subject to compliance with the Listing Rules, the lessee shall give at least three-month written notice to the lessor before the expiry of the lease in order to continue to lease the relevant premises from the lessor or terminate the lease when it expires.

Neither party shall terminate the lease in advance without cause unless both parties agree or otherwise permitted in the lease, and prior notice no less than one month before is served. Each of the lessor and lessee will have the right to terminate the lease if the other party fails to comply with the terms and conditions of the agreement.

The lessee shall be responsible for the payment of certain other fees, including, among other things, water, electricity and other utility fees according to relevant property management agreement.

## **PRINCIPAL TERMS OF FOUNDER DIGITAL PRINTING LEASE AGREEMENT AND MANAGEMENT AGREEMENT**

<b>Lessee</b>	Founder Digital Printing
<b>Lessor</b>	Beida Management
<b>Property leased</b>	1st floor (part) and basement 1 (part) of Block 1 of Shangdi Founder Building; and  Basement 1 (part) of Block 2 of Shangdi Founder Building
<b>Area</b>	3,961.14 square meters
<b>Rent period</b>	1 February 2020 to 31 December 2020
<b>Rent-free period</b>	1 January 2020 to 31 January 2020

<b>Total annual rental</b>	RMB127,497.48 (equivalent to approximately HK\$142,000)
<b>Total annual management fee</b>	RMB1,445,816.16 (equivalent to approximately HK\$1,611,000)
<b>Other principal terms and conditions</b>	<p>The rental and management fee are payable in cash quarterly in advance.</p> <p>Subject to compliance with the Listing Rules, the lessee shall give at least three-month written notice to the lessor before the expiry of the lease in order to continue to lease the relevant premises from the lessor or terminate the lease when it expires.</p> <p>Neither party shall terminate the lease in advance without cause unless both parties agree or otherwise permitted in the lease, and prior notice no less than one month before is served. Each of the lessor and lessee will have the right to terminate the lease if the other party fails to comply with the terms and conditions of the agreement.</p> <p>The lessee shall be responsible for the payment of certain other fees, including, among other things, water, electricity and other utility fees according to relevant property management agreement.</p>

## **REASONS FOR AND BENEFITS OF THE 2020 LEASE AND MANAGEMENT AGREEMENTS**

The Group has been leasing certain premises at Shangdi Founder Building from Peking Founder Group as offices, canteens and staff quarters for over ten years. As previous leases expired on 31 December 2019, the Group entered into the 2020 Lease and Management Agreements to renew the leases for a term ending on 31 December 2020.

The terms of the 2020 Lease and Management Agreements, including the rental and management fees payable by the Group, are arrived at after arm's length negotiations between the parties involved taking into account (i) the market rent and management fees of properties in Shangdi area of Beijing, which have been obtained through the Company's enquiries with estate agents; (ii) the historical transaction amounts in respect of the leasing of office premises between the subsidiaries of the Company and Beida Management; and (iii) the estimated increase in rent and management fees in the coming two years as compared with those of previous years with reference to the increase of rent and management fees in Shangdi area of Beijing in recent years.

The Directors (including the independent non-executive Directors) are of the view that transactions under the 2020 Lease and Management Agreements are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group 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 BEIDA MANAGEMENT**

Beida Management is an associate of Peking Founder by virtue of the fact that Beida Management is a subsidiary of a company in which Peking Founder and its holding company own more than 30% equity interest in aggregate. Beida Management is principally engaged in property leasing business, providing various property management services and community cultural services covering commercial buildings, leased offices, residential buildings and industrial parks as well as the asset management and operation in real estate developed and owned by Peking Founder.

Peking Founder is a controlling shareholder of the Company indirectly holding approximately 30.60% of the issued share capital of the Company. As at the date of this announcement, according to the information available to the Company from the records of the State Administration for Market Regulation, the majority shareholder of Peking Founder is Peking University Assets Management Company Limited\* (北大資產經營有限公司) with 70% shareholding and is principally engaged in the business in relation to the acceptance for entrusted operation and management of state-owned assets, technology promotion, technical services, technical consultation, incubation of high-tech enterprises, investment management and asset management in the PRC. The registered holder of the remaining shareholding of Peking Founder is Beijing Zhaorun Investments Management Co. Ltd.\* (北京招潤投資管理有限公司), while its registered shareholders are Mr Li You, Ms Yu Li, Mr Wei Xin and Mr Zhang Zhao Dong.

## **LISTING RULES IMPLICATIONS**

Peking Founder is the controlling shareholder of the Company holding approximately 30.60% of the issued share capital of the Company, and therefore a connected person of the Company under the Listing Rules. Beida Management is an associate of Peking Founder by virtue of the fact that Beida Management is a subsidiary of a company in which Peking Founder and its holding company own more than 30% equity interest in aggregate.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. However, as allowed under HKFRS 16, the Group has elected not to recognise right-of-use assets and lease liabilities for leases that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term. Therefore the leases and the property management services received by the Group under the 2020 Lease and Management Agreements will both be continuing connected transactions of the Company.

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As Mr Cheung Shuen Lung and Professor Xiao Jian Guo are the directors of Peking Founder and therefore are deemed to have a material interest in the 2020 Lease and Management Agreements, Mr Cheung Shuen Lung and Professor Xiao Jian Guo have abstained from voting on the relevant Board resolution approving the transactions contemplated under the 2020 Lease and Management Agreements. Save as disclosed 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 2020 Lease and Management Agreements and will be required to abstain from voting on the relevant Board resolution approving the 2020 Lease and Management Agreements.

## **DEFINITIONS**

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

“2020 Lease and Management Agreements”	Founder Digital Printing Lease Agreement and Management Agreement, Founder EasiPrint Lease Agreement and Management Agreement and Founder Electronics Lease Agreement and Management Agreement
“associate(s)”	has the meaning as ascribed thereto under the Listing Rules
“Beida Management”	北京北大資源物業經營管理集團有限公司 (Beijing Peking University Resource Property Management Group Co., Ltd.*), a company incorporated in the PRC which is principally engaged in property leasing business and an associate of Peking Founder

“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 under the Listing Rules
“controlling shareholder”	has the same meaning as ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Founder Digital Printing”	北京方正數字印刷技術有限公司 (Beijing Founder Digital Printing Technology Co., Ltd.*), a company incorporated in the PRC and a wholly-owned subsidiary of the Company which is principally engaged in software development and systems integration
“Founder Digital Printing Lease Agreement and Management Agreement”	the lease agreement and the property management service agreement, each dated 31 January 2020 and entered into between Founder Digital Printing and Beida Management in relation to the lease of certain premises at Shangdi Founder Building by Founder Digital Printing from Beida Management and the management of such leased properties for a term ending on 31 December 2020
“Founder EasiPrint”	北京方正印捷數碼技術有限公司 (Beijing Founder EasiPrint Digital Technology Co., Ltd.*), a company incorporated in the PRC and a wholly-owned subsidiary of the Company which is principally engaged in software development and systems integration business
“Founder EasiPrint Lease Agreement and Management Agreement”	the lease agreement and the property management service agreement, each dated 31 January 2020 and entered into between Founder EasiPrint and Beida Management in relation to the lease of certain premises at Shangdi Founder Building by Founder EasiPrint from Beida Management and the management of such leased properties for a term ending on 31 December 2020



“Founder Electronics”	北京北大方正電子有限公司 (Beijing Founder Electronics Co., Ltd.*), a company incorporated in the PRC and a wholly-owned subsidiary of the Company which is principally engaged in software development and systems integration business
“Founder Electronics Lease Agreement and Management Agreement”	the lease agreement and the property management service agreement, each dated 31 January 2020 and entered into between Founder Electronics and Beida Management in relation to the lease of certain premises at Shangdi Founder Building by Founder Electronics from Beida Management and the management of such leased properties for a term ending on 31 December 2020
“Group”	the Company and its subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standards
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“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 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
“Shangdi Founder Building”	上地方正大廈 (Shangdi Founder Building) at No. 9, Shangdi 5th Street (also known as Shangdi Information Industry Base), Haidian District, Beijing, 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, 31 January 2020

*The exchange rate adopted in this announcement for illustration purpose only is RMB1.00 = HK\$1.114.*

*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), Professor Xiao Jian Guo, Ms Zuo Jin, Mr Hu Bin 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*