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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

The Company refers to its announcements on leasing of office premises dated 31 December 2015 and 8 August 2016, respectively. Each of Founder Electronics, Founder EasiPrint and Founder Digital Printing entered into certain lease agreement(s) and management agreement(s) with Beida Management respectively to lease certain premises at Shangdi Founder Building from Beida Management. All of those agreements will be expired on 31 December 2017.

On 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 the 2018 Lease and Management Agreements will be expired on 31 December 2019.

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 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. Accordingly, the transactions contemplated under the 2018 Lease and Management Agreements 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 2018 Lease and Management Agreements exceeds 0.1% and all of the relevant percentage ratios are less than 5%, the transactions contemplated under the 2018 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

The Company refers to its announcements on leasing of office premises dated 31 December 2015 and 8 August 2016, respectively. Each of Founder Electronics, Founder EasiPrint and Founder Digital Printing entered into certain lease agreement(s) and management agreement(s) with Beida Management respectively lease certain premises at Shangdi Founder Building from Beida Management. All of those agreements will be expired on 31 December 2017.

On 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 the 2018 Lease and Management Agreements will be expired on 31 December 2019.

Principal Terms of Founder Electronics Lease Agreement and Management Agreement

Area	4,965.17 sq. m.
Lease term	1 January 2018 to 31 December 2019
Lessee	Founder Electronics
Lessor	Beida Management
Property leased	3rd floor (part) and 4th floor (entire) of Block 1 of Shangdi Founder Building
Total annual rental	RMB4,711,946.28 (equivalent to approximately HK\$5,570,000)
Total annual management fee	RMB1,812,287.04 (equivalent to approximately HK\$2,142,000)
Other terms and conditions	The rental and management fee are payable in cash quarterly in advance. Subject to compliance with the Listing Rules, the lessee may 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.

The lessor will have the right to terminate the lease if the lessee fails to comply with the terms and conditions of the agreement.

The lessee shall be responsible for the payment of certain other fees, including water, electricity and other utility fees.

Principal Terms of Founder EasiPrint Lease Agreement and Management Agreement

Area	4,348.28 sq. m.
Lease term	1 January 2018 to 31 December 2019
Lessee	Founder EasiPrint
Lessor	Beida Management
Property leased	1st floor (part), 2nd floor (entire), 3rd floor (part) and 5th floor (entire) of Block 1 of Shangdi Founder Building
Total annual rental	RMB4,126,517.76 (equivalent to approximately HK\$4,878,000)
Total annual management fee	RMB1,587,122.16 (equivalent to approximately HK\$1,876,000)
Other terms and conditions	The rental and management fee are payable in cash quarterly in advance.

Subject to compliance with the Listing Rules, the lessee may 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.

The lessor will have the right to terminate the lease if the lessee fails to comply with the terms and conditions of the agreement.

The lessee shall be responsible for the payment of certain other fees, including water, electricity and other utility fees.

Principal Terms of Founder Digital Printing Lease Agreement and Management Agreement

Area	3,961.14 sq. m.
Lease term	1 January 2018 to 31 December 2019
Lessee	Founder Digital Printing
Lessor	Beida Management
Property leased	1st floor (part) and basement 1 (part) of Block 1 of Shangdi Founder Building Basement 1 (part) of Block 2 of Shangdi Founder Building
Total annual rental	RMB92,081.52 (equivalent to approximately HK\$109,000)
Total annual management fee	RMB 1,220,152.08 (equivalent to approximately HK\$1,442,000)
Other terms and conditions	<p>The rental and management fee are payable in cash quarterly in advance.</p> <p>Subject to compliance with the Listing Rules, the lessee may 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.</p> <p>The lessor will have the right to terminate the lease if the lessee 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 water, electricity and other utility fees.</p>

Historical Transaction Amounts and Proposed Annual Caps

The historical figures, the historical annual caps and the proposed annual caps of the rental and management fees in respect of the 2018 Lease and Management Agreements are as follows:

	Year ended 31 December 2016	Year ending 31 December 2017	Year ending 31 December 2018	Year ending 31 December 2019
Historical figures				
<i>RMB million</i>	12.5	N/A	N/A	N/A
<i>HK\$ million (approximately)</i>	14.6	N/A	N/A	N/A
Historical annual caps				
<i>RMB million</i>	12.5	14.2	N/A	N/A
<i>HK\$ million (approximately)</i>	14.6	16.8	N/A	N/A
Proposed annual caps				
<i>RMB million</i>	N/A	N/A	13.6	13.6
<i>HK\$ million (approximately)</i>	N/A	N/A	16.0	16.0

The proposed annual caps have been determined with reference to the rental and management fees payable by the Group under the 2018 Lease and Management Agreements and other payables by the Group thereunder. The Directors (including the independent non-executive Directors) consider such annual cap as fair and reasonable.

Reasons for and benefits of the 2018 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. As previous leases will expire on 31 December 2017, the Group entered into the 2018 Lease and Management Agreements to renew the leases for a term of two years from 1 January 2018 to 31 December 2019.

The terms of the 2018 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 2018 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 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 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. Accordingly, the transactions contemplated under the 2018 Lease and Management Agreements 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 2018 Lease and Management Agreements exceeds 0.1% and all of the relevant percentage ratios are less than 5%, the transactions contemplated under the 2018 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.

As Mr. Cheung Shuen Lung is a director of Peking Founder and therefore is deemed to have a material interest in the 2018 Lease and Management Agreements, Mr. Cheung Shuen Lung has abstained from voting on the relevant Board resolution approving the transactions contemplated under the 2018 Lease and Management Agreements. 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 2018 Lease and Management Agreements and will be required to abstain from voting on the relevant Board resolution approving the 2018 Lease and Management Agreements.

Definitions

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

“2018 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 established 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 established 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 28 December 2017 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 for a term of two years from 1 January 2018 to 31 December 2019 and the management of such leased properties

“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 established 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 28 December 2017 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 for a term of two years from 1 January 2018 to 31 December 2019 and the management of such leased properties
“Founder Electronics”	北京北大方正電子有限公司 (Beijing Founder Electronics Co., Ltd.*), a company established 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 28 December 2017 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 for a term of two years from 1 January 2018 to 31 December 2019 and the management of such leased properties
“Group”	the Company and its subsidiaries
“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 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
“Shangdi Founder Building”	上地方正大厦 (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, 28 December 2017

The exchange rate adopted in this announcement for illustration purpose only is RMB1.00 = HK\$1.182.

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*