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(Incorporated in Bermuda with limited liability)
(Stock Code : 00418)

CONTINUING CONNECTED TRANSACTIONS: THE NEW MASTER SALES AGREEMENT

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 24 June 2010 and the circular of the Company dated 14 July 2010 in respect of, among other things, the Master Sales Agreement entered into between Peking Founder and the Company. The Master Sales Agreement has a current term due to expire on 31 December 2012. 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 14 December 2012, which will become effective from the date on which Independent Shareholders' approval is obtained at the SGM to 31 December 2015.

As each of the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules exceeds 25%, the entering into of the New Master Sales Agreement and the transactions contemplated thereunder by the Company constitute non-exempt continuing connected transactions for the Company under the Listing Rules and are subject to the annual review, reporting and announcement requirements under the Listing Rules. In addition, both the New Master Sales Agreement and its proposed annual caps are subject to the approval by the Independent Shareholders under the Listing Rules.

SGM

The SGM will be convened at which a resolution will be proposed to seek the Independent Shareholders' approval by way of poll in relation to the New Master Sales Agreement and its proposed annual caps. Peking Founder, together with its associates, and all parties involved in or interested in the New Master Sales Agreement are required to abstain from voting with respect to the resolution for approving the New Master Sales Agreement and its proposed annual caps.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors, namely, Mr Li Fat Chung, Ms Wong Lam Kit Yee and Mr Fung Man Yin, Sammy has been established to consider the terms of the New Master Sales Agreement and its proposed annual caps, and to advise the Independent Shareholders as to whether the terms of the New Master Sales Agreement and its proposed annual caps are fair and reasonable and whether the transactions contemplated thereunder are in the interests of the Company and its shareholders as a whole. No member of the Independent Board Committee has any material interest in the New Master Sales Agreement.

China Everbright Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the New Master Sales Agreement and its proposed annual caps.

A circular containing, among others things, (i) details of the New Master Sales Agreement and its proposed annual caps; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the New Master Sales Agreement and its proposed annual caps; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the New Master Sales Agreement and its proposed annual caps; and (iv) a notice convening the SGM, will be despatched to the shareholders of the Company on or before 8 January 2013 in accordance with the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

A. INTRODUCTION

Reference is made to the announcement of the Company dated 24 June 2010 and the circular of the Company dated 14 July 2010 in respect of, among other things, the Master Sales Agreement entered into between Peking Founder and the Company. The Master Sales Agreement has a current term due to expire on 31 December 2012. 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 14 December 2012, which will become effective from the date on which Independent Shareholders' approval is obtained at the SGM to 31 December 2015.

B. CONNECTED RELATIONSHIP

As Peking Founder is a controlling shareholder of the Company beneficially interested in approximately 32.49% of the Company's issued share capital, it is a connected person of the Company under Rule 14A.11 of the Listing Rules. As such, transactions contemplated under the New Master Sales Agreement constitute continuing connected transactions for the Company under the Listing Rules.

C. THE NEW MASTER SALES AGREEMENT

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.

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% 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. 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.

The tables below set out the historical figures, 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

	Year ended 31 December 2010 <i>RMB'000</i>	Year ended 31 December 2011 <i>RMB'000</i>	Year ending 31 December 2012 <i>RMB'000</i>	Eleven months ended 30 November 2012 <i>RMB'000</i>
Actual sales	49,354 (audited)	168,207 (audited)	N/A	92,469 (unaudited)
Annual caps	170,000	190,400	213,248	N/A

Proposed annual caps under the New Master Sales Agreement

	Year ending 31 December 2013 <i>RMB'000</i>	Year ending 31 December 2014 <i>RMB'000</i>	Year ending 31 December 2015 <i>RMB'000</i>
Proposed annual caps	360,000	463,320	586,660

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 the expected increase in the rack rate payable by the Group to its suppliers; and
- (b) the expected market conditions and increase in the market price of the products and services to be supplied by the Group under the New Master Sales Agreement.

D. REASONS FOR AND BENEFITS OF THE NEW MASTER SALES AGREEMENT

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

The Peking Founder Group is principally engaged in the 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.

The Directors believe that having a long-term customer such as the Peking Founder Group can effectively enhance the Group's financial performance. As some of the customers of the Peking Founder Group, for example, financial institutions in the PRC, have an increasing demand for systems integration products and services provided by the Peking Founder Group, 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 (excluding the independent non-executive Directors who will provide their advice after having received the advice from the independent financial adviser) 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 (excluding the independent non-executive Directors who will provide their advice after having received the advice from the independent financial adviser) are also of the view that the proposed annual caps under the New Master Sales Agreement for the three years ending 31 December 2015 are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

E. LISTING RULES IMPLICATIONS FOR THE NEW MASTER SALES AGREEMENT

As each of the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules exceeds 25%, the entering into of the New Master Sales Agreement and the transactions contemplated thereunder by the Company constitute non-exempt continuing connected transactions for the Company under the Listing Rules and are subject to the annual review, reporting and announcement requirements under the Listing Rules. In addition, both the New Master Sales Agreement and its proposed annual caps are subject to the approval by the Independent Shareholders under the Listing Rules.

Although the Master Sales Agreement is expiring on 31 December 2012, no transaction will be undertaken pursuant to the New Master Sales Agreement unless and until Independent Shareholders' approval will have been obtained at the SGM which is expected to be held in late January 2013.

SGM

The SGM will be convened at which a resolution will be proposed to seek the Independent Shareholders' approval by way of poll in relation to the New Master Sales Agreement and its proposed annual caps. Peking Founder, being the controlling shareholder of the Company, together with its associates, and all parties involved in or interested in the New Master Sales Agreement are required to abstain from voting with respect to the resolution for approving the New Master Sales Agreement and its proposed annual caps.

GENERAL

As Professor Xiao Jian Guo is a director and the chief technical officer of Peking Founder, he has abstained from voting on the Board's resolution approving the transactions contemplated under the New Master Sales Agreement and its proposed annual caps. Except for the aforesaid, no other Director is considered to have a material interest in the New Master Sales Agreement.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr Li Fat Chung, Ms Wong Lam Kit Yee and Mr Fung Man Yin, Sammy has been established to consider the terms of the New Master Sales Agreement and its proposed annual caps and to advise the Independent Shareholders as to whether the terms of the New Master Sales Agreement and its proposed annual caps are fair and reasonable and whether the transactions contemplated thereunder are in the interests of the Company and its shareholders as a whole. No member of the Independent Board Committee has any material interest in the New Master Sales Agreement.

China Everbright Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the New Master Sales Agreement and its proposed annual caps.

A circular containing, among other things, (i) details of the New Master Sales Agreement and its proposed annual caps; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the New Master Sales Agreement and its proposed annual caps; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the New Master Sales Agreement and its proposed annual caps; and (iv) a notice convening the SGM, will be despatched to the shareholders of the Company on or before 8 January 2013 in accordance with the Listing Rules.

DEFINITIONS

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

“associates”	has the meaning ascribed to it under the Listing Rules;
“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;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent board committee of the Company comprising all of the three independent non-executive Directors, namely Mr Li Fat Chung, Ms Wong Lam Kit Yee and Mr Fung Man Yin, Sammy formed for the purpose of considering the terms of the New Master Sales Agreement and its proposed annual caps and advising and making recommendation to the Independent Shareholders as to how to vote at the SGM;
“Independent Shareholders”	the shareholders of the Company other than Peking Founder and its associates;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“Master Sales Agreement”	the agreement dated 3 August 2010 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 24 June 2010 and the circular of the Company dated 14 July 2010;
“New Master Sales Agreement”	the new master sales agreement dated 14 December 2012 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 established in the PRC with limited liabilities, the controlling shareholder of the Company, which holds approximately 32.49% of the issued share capital of the Company;
“Peking Founder Group”	Peking Founder and its subsidiaries;
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region and Taiwan for the purpose of this announcement;
“RMB”	Renminbi, the lawful currency of the PRC;
“SGM”	the special general meeting of the Company to be convened and held for the Independent Shareholders to consider and approve if thought fit, the New Master Sales Agreement and its proposed annual caps;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meaning ascribed to it under the Listing Rules; and
“%”	per cent.

By Order of the Board
Founder Holdings Limited
Fang Zhong Hua
Chairman

Hong Kong, 14 December 2012

As at the date of this announcement, the Board comprises executive Directors of Mr Fang Zhong Hua (Chairman), Professor Xiao Jian Guo (Deputy Chairman), Mr Liu Xiao Kun (President), Ms Yi Mei, Professor Yang Bin and Mr Wo Fei Yu, 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