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

**ADVANCE TO AN ENTITY, MAJOR TRANSACTION AND
CONTINUING CONNECTED TRANSACTION
AND
2016 ENTRUSTED LOAN MASTER AGREEMENT**

2016 ENTRUSTED LOAN MASTER AGREEMENT

On 25 October 2016, the Company entered into the 2016 Entrusted Loan Master Agreement with Peking Founder pursuant to which the Group would, subject to certain conditions, provide short-term loans through a financial institution (to be designated by the parties) to Peking Founder Group.

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 for the purposes of the Listing Rules. Accordingly, the transactions contemplated under the 2016 Entrusted Loan Master Agreement will constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

Further, provision of the entrusted loans under the 2016 Entrusted Loan Master Agreement may also constitute (i) advance to an entity under Rule 13.13 of the Listing Rules, (ii) financial assistance provided by the Company not in the ordinary and usual course of business and a major transaction under Chapter 14 of the Listing Rules. Since one or more of the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules in respect of the 2016 Entrusted Loan Master Agreement exceeds 25%, the transactions contemplated under the 2016 Entrusted Loan Master Agreement shall be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Independent Board Committee has been established to advise the Independent Shareholders in connection with the 2016 Entrusted Loan Master Agreement (including the proposed annual caps for the three years ending 31 December 2019). The Company has appointed China Everbright Capital Limited, as the Independent Financial Adviser, to advise the Independent Board Committee in this regard. The Company will despatch to its Shareholders a circular containing further details of the 2016 Entrusted Loan Master Agreement, letters from the Independent Board Committee and the Independent Financial Adviser, and a notice convening the SGM on or before 15 November 2016 in accordance with the Listing Rules. Peking Founder and its associates will abstain from voting at the SGM in respect of the relevant resolution.

2016 ENTRUSTED LOAN MASTER AGREEMENT

Date

25 October 2016

Parties

- (1) The Company, as the lender; and
- (2) Peking Founder, as the borrower

Entrusted loans to be provided by the Company

The Company previously entered into the 2014 Entrusted Loan Master Agreement with Peking Founder which will expire on 31 December 2016. The Company expects to continue such entrusted loan arrangement with Peking Founder and has entered into the 2016 Entrusted Loan Master Agreement with Peking Founder pursuant to which the Group would provide, subject to certain conditions, short-term loans through a financial institution (to be designated by the parties) to Peking Founder Group. Such loans will be unsecured and interest-bearing at the prevailing benchmark RMB lending interest rate for loan period of six months offered by The People's Bank of China (the "PBOC") plus 15% of such rate. For example, if the prevailing benchmark RMB lending interest rate as quoted by the PBOC is 5% per annum, the interest rate for the entrusted loans under the 2016 Entrusted Loan Master Agreement would be 5.75% per annum. Under the 2016 Entrusted Loan Master Agreement, no collateral will be provided by Peking Founder to the Company. Separate entrusted loan agreements will be entered into among the Group, Peking Founder Group and the designated financial institution upon request by Peking Founder pursuant to the terms and conditions of the 2016 Entrusted Loan Master Agreement.

Period

The 2016 Entrusted Loan Master Agreement will, subject to the satisfaction of the conditions precedent set out below, become effective from 1 January 2017 and expire on 31 December 2019.

Historical figures and annual caps for the entrusted loans

The following table sets out (i) the historical figures of the average entrusted loans (representing the average balance of the principal and interests of the relevant entrusted loans) for each of the two years ended 31 December 2015 and six months ended 30 June 2016, (ii) historical annual caps for each of the two years ended 31 December 2015 and the year ending 31 December 2016 under the 2014 Entrusted Loan Master Agreement, and (iii) the proposed annual caps for the entrusted loans under the 2016 Entrusted Loan Master Agreement (representing the maximum balance of the principal and interests of the relevant entrusted loans) for the each of three years ending 31 December 2019:

(RMB '000)

	Year ended 31 December 2014	Year ended 31 December 2015	Six months ended 30 June 2016	Year ending 31 December 2016	Year ending 31 December 2017	Year ending 31 December 2018	Year ending 31 December 2019
Historical figures	204,043	285,392	175,370	N/A	N/A	N/A	N/A
Historical Annual Cap	320,000	331,200	N/A	342,792	N/A	N/A	N/A
Proposed Annual Cap	N/A	N/A	N/A	N/A	405,000	405,000	405,000

The proposed annual caps for entrusted loans under the 2016 Entrusted Loan Master Agreement are determined based on average cash and bank balance available of a subsidiary of the Group and its average total monthly net profit/loss for the six months ended 30 June 2016. The average cash and bank balance of the subsidiary increased in 2016 as compared with that in 2015, so the cash and bank balance available for entrusted loans increased accordingly. Therefore, the proposal annual cap for the year ending 31 December 2017 increased to RMB405,000,000. On the other hand, as it is expected that such subsidiary's cash and bank balance from 2017 to 2019 will remain stable, the proposed annual cap remains at RMB405,000,000 for each of the three years ending 31 December 2019.

Repayment term

The entrusted loans are repayable within six months from the date of drawing of the relevant entrusted loans. If Peking Founder Group fails to repay the outstanding amount under the relevant entrusted loan agreements, Peking Founder Group shall be liable to pay, on a daily basis, a default interest at the rate of 0.02% of the total outstanding loan amount, until all of the principal amount, the interests together with other applicable charges and/or fees are fully repaid.

Events of default

If any of the following matters arise, the entrusted loans are repayable forthwith, unless otherwise waived by the Company in writing:

- (1) Peking Founder Group provides false balance sheets, profit and loss statements and other financial statements or provides such statements with material concealment, or refuses supervision on its use of entrusted loans;
- (2) The representations, warranties and undertakings made and given by Peking Founder under the 2016 Entrusted Loan Master Agreement or those made and given by the borrower pursuant to the relevant entrusted loan agreement proves to be untrue or misleading;
- (3) In the reasonable opinion of the Company based on relevant evidences, there has been a serious deterioration in the operating and financial position of Peking Founder or of the borrower under the relevant entrusted loan agreement;
- (4) Peking Founder or the borrower under the relevant entrusted loan agreement breaches its obligations as the borrower or guarantor under any other loan agreements;
- (5) Peking Founder or the borrower under the relevant entrusted loan agreement fails to make a repayment arrangement or debt restructuring plan to the satisfaction of the lender and trustee bank when it is undergoing a merger, split or share reform;
- (6) Peking Founder or the borrower under the relevant entrusted loan agreement is insolvent, dissolved, closed, revoked, suspended or deregistered;
- (7) Peking Founder ceases to be a controlling shareholder (as defined in the Listing Rules) of the Company; or
- (8) Peking Founder fails to perform its undertakings or other obligations under the 2016 Entrusted Loan Master Agreement.

Conditions

The 2016 Entrusted Loan Master Agreement is conditional upon, among other things, the fulfillment of the following conditions:

- (1) the passing of the resolution by the Independent Shareholders at the SGM and by the Board for approving the terms of the 2016 Entrusted Loan Master Agreement pursuant to the Listing Rules and the Company's bye-laws; and
- (2) the board of directors of Peking Founder having approved the terms of the 2016 Entrusted Loan Master Agreement pursuant to the articles of association of Peking Founder.

Reasons for and benefit of the 2016 Entrusted Loan Master Agreement

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

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

Since no member of the Group is a licensed financial institution, the Group is not authorized to carry out banking related businesses in the PRC.

In order to fully utilize the Group's surplus cash and unutilized banking facilities in the PRC and enhance the monetary return of such surplus fund, the Company has made proposals for loan arrangements in the form of entrusted loans through a financial institution designated by the Group and Peking Founder Group.

Given that:

- (i) the current interest rate on bank deposits is relatively low; and
- (ii) the risk of other financial products is relatively high,

the Company considers that the transaction contemplated under the 2016 Entrusted Loan Master Agreement will facilitate the Group in its effort to maximize the Group's surplus cash and unutilized banking facilities in the PRC.

As at the date of this announcement, the transaction amounts of the continuing connected transactions under the 2014 Entrusted Loan Master Agreement have not exceeded the annual cap for the year ending 31 December 2016 as set out in the 2014 Entrusted Loan Master Agreement.

The entrusted loans under the 2016 Entrusted Loan Master Agreement will be granted by the designated financial institution to Peking Founder Group on behalf of the Group, from time to time, on a short-term basis and on normal and commercial terms.

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 for the purposes of the Listing Rules. Accordingly, the transactions contemplated under the 2016 Entrusted Loan Master Agreement will constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

Further, provision of the entrusted loans under the 2016 Entrusted Loan Master Agreement may also constitute (i) advance to an entity under Rule 13.13 of the Listing Rules, (ii) financial assistance provided by the Company not in the ordinary and usual course of business and a major transaction under Chapter 14 of the Listing Rules. Since one or more of the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules in respect of the 2016 Entrusted Loan Master Agreement exceeds 25%, the transactions contemplated under the 2016 Entrusted Loan Master Agreement shall be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The terms of the 2016 Entrusted Loan Master Agreement, including the applicable interest rate, have been agreed by the parties after arm's length negotiations having taken into account the prevailing market interest rates and practices. The Directors (excluding all independent non-executive Directors whose views will be based on the opinion of the Independent Financial Adviser) consider that the interest rate under the 2016 Entrusted Loan Master Agreement is favorable to the Group and the provision of the entrusted loans to Peking Founder Group would generate a higher return for the idle surplus cash of the Group. Taking into consideration the creditworthiness of Peking Founder Group and its sound financial performance in the past, the Directors (excluding all independent non-executive Directors whose views will be based on the opinion of the Independent Financial Adviser) consider that the entrusted loan arrangement under the 2016 Entrusted Loan Master Agreement will bring in more value to the Shareholders as a whole by enhancing the monetary return of the Group's surplus funds generated from operations. Based on the above, the Directors (excluding all independent non-executive Directors whose views will be based on the opinion of the Independent Financial Adviser) consider that the terms of the 2016 Entrusted Loan Master Agreement and the transactions contemplated therein are on normal commercial terms and are fair and reasonable though not in the ordinary and usual course of business of the Group but are in the interests of the Company and its Shareholders as a whole.

GENERAL

As Professor Xiao Jian Guo is a director and chairman of Peking Founder, Professor Xiao Jian Guo has abstained from voting on the Board's resolutions approving the transactions contemplated under the 2016 Entrusted Loan Master Agreement. Except for the aforesaid, no other Director is considered to have material interest in the transactions contemplated under the 2016 Entrusted Loan Master Agreement.

The Independent Board Committee has been established to advise the Independent Shareholders in connection with the 2016 Entrusted Loan Master Agreement (including the proposed annual caps for the three years ending 31 December 2019). The Company has appointed China Everbright Capital Limited, as the Independent Financial Adviser, to advise the Independent Board Committee in this regard. The Company will despatch to its Shareholders a circular containing further details of the 2016 Entrusted Loan Master Agreement, letters from the Independent Board Committee and the Independent Financial Adviser, and a notice convening the SGM on or before 15 November 2016 in accordance with the Listing Rules. Peking Founder and its associates will abstain from voting at the SGM in respect of the relevant resolution.

DEFINITIONS

“2014 Entrusted Loan Master Agreement”	the entrusted loan master agreement dated 28 July 2014 entered into between the Company and Peking Founder, pursuant to which the Group would, subject to certain conditions, provide short-term loans through a financial institution (to be designated by the parties and being an independent third party to the Company and the connected persons) to Peking Founder Group
“2016 Entrusted Loan Master Agreement”	the entrusted loan master agreement dated 25 October 2016 entered into between the Company and Peking Founder, pursuant to which the Group would, subject to certain conditions, provide short-term loans through a financial institution (to be designated by the parties and being an independent third party to the Company and the connected persons) to Peking Founder Group
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Founder Holdings Limited, 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)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Independent Board Committee”	the independent board committee comprising all the three independent non-executive Directors, which has been established to advise the Independent Shareholders in connection with the 2016 Entrusted Loan Master Agreement (including the proposed annual caps for the three years ending 31 December 2019)
“Independent Financial Adviser”	China Everbright Capital Limited, which has been appointed to advise the Independent Board Committee in connection with the 2016 Entrusted Loan Master Agreement (including the proposed annual caps for the three years ending 31 December 2019)

“Independent Shareholders”	Shareholders other than Peking Founder and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and approve, if thought fit, the 2016 Entrusted Loan Master Agreement and the proposed annual caps thereunder
“Shareholders”	the shareholders of the Company
“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
Xiao Jian Guo
Chairman

Hong Kong, 25 October 2016

As at the date of this announcement, the board of directors of the Company comprises executive directors of Professor Xiao Jian Guo (Chairman), Mr. Shao Xing (President), Mr. Liu Jian, Professor Yang Bin, Ms. Zuo Jin and Ms. Sun Min, 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*