

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



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

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

**ENTRUSTED LOAN MASTER AGREEMENT**

On 28 July 2014, the Company entered into the 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 and being an independent third party to the Company and its connected persons) to Peking Founder Group.

**LISTING RULES REQUIREMENTS**

Peking Founder is the controlling shareholder of the Company indirectly holding approximately 31.42% 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 Entrusted Loan Master Agreement will constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

Further, provision of the entrusted loans under the 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 Entrusted Loan Master Agreement exceeds 25%, the transactions contemplated under the 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 (comprising all three independent non-executive Directors) will be established to advise the Independent Shareholders in connection with the Entrusted Loan Master Agreement (including the proposed annual caps for the three years ending 31 December 2016). The Company has appointed Industrial Securities (HK) 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 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 August 2014 in accordance with the Listing Rules. Peking Founder and its associates will abstain from voting at the SGM in respect of the relevant resolution.

## **ENTRUSTED LOAN MASTER AGREEMENT**

### **Date**

28 July 2014

### **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 2011 Entrusted Loan Master Agreement which will expire on 31 December 2014. The Company has reviewed the annual caps and it is expected that in the year 2014, the amounts of the entrusted loans to be provided by the Company are likely to be greater than originally estimated at the time of the entering into of the 2011 Entrusted Loan Master Agreement. Accordingly, the Company has entered into the 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 and being an independent third party to the Company and its connected persons) 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 ("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 would be 5.75% per annum. Under the Entrusted Loan Master Agreement, no collateral was provided by Peking Founder to the Company. Separate entrusted loan agreements will be entered into between the Group, Peking Founder Group and the designated financial institution upon request by Peking Founder pursuant to the terms and conditions of the Entrusted Loan Master Agreement.

## Period

The Entrusted Loan Master Agreement will, subject to the satisfaction of the conditions precedent set out below, become effective from the date on which Independent Shareholders' approval is obtained at the SGM and expire on 31 December 2016.

## Historical figures and annual caps for the entrusted loans

The following table sets out 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 2013 and six months ended 30 June 2014, historical annual caps for each of the three years ending 31 December 2014, and the proposed annual caps for the entrusted loans under the 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 2016:

	Year ended 31 December 2012 <i>RMB '000</i>	Year ended 31 December 2013 <i>RMB '000</i>	Six months ended 30 June 2014 <i>RMB '000</i>	Year ending 31 December 2014 <i>RMB '000</i>	Year ending 31 December 2015 <i>RMB '000</i>	Year ending 31 December 2016 <i>RMB '000</i>
Historical figures	103,546	193,748	208,766	N/A	N/A	N/A
Historical Annual Cap	199,000	205,965	N/A	213,174	N/A	N/A
Proposed Annual Cap	N/A	N/A	N/A	320,000	331,200	342,792

The annual cap amounts for the 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 five months ended 31 May 2014. It is expected that there will be a 3.5% annual increase in the subsidiary's cash and bank balance from 2014 to 2016. Based on the above, the relevant annual caps are set in the amount of RMB320 million, RMB331.200 million and RMB342.792 million respectively for the three years ending 31 December 2016.

## Repayment term

The entrusted loans are repayable within six months from the date of drawing of the relevant entrusted loan. 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 which withhold material facts;
- (2) The representations and warranties and undertakings made and given by Peking Founder under the 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, there has been a serious deterioration in the operating and financial position of Peking Founder or of the borrower pursuant to the relevant entrusted loan agreement;
- (4) Peking Founder or the borrower pursuant to the relevant entrusted loan agreement is in breach of its obligations as borrower or guarantor under any other loan agreements;
- (5) Peking Founder or the borrower pursuant to the relevant entrusted loan agreement fails to make a repayment arrangement or debt restructuring plan to the satisfaction of the trustee when it is undergoing a merger, split or share reform;
- (6) Peking Founder or the borrower pursuant to the relevant entrusted loan agreement is insolvent, dissolved, closed down, revoked, suspended and 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 honour its undertaking or other obligations under the Entrusted Loan Master Agreement.

## **Conditions**

The Entrusted Loan Master Agreement is conditional upon 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 Entrusted Loan Master Agreement as required under the Listing Rules and in accordance with the Company's bye-laws; and
- (2) the board of directors of Peking Founder having approved the terms of the Entrusted Loan Master Agreement in accordance with Peking Founder's articles of association.

## **Reasons and benefit to the Group**

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 Group has received funds from the intellectual properties transfer agreement and patents licence agreement with China Digital Video (Beijing) Limited on 18 March 2013 as announced in its announcement on 18 March 2013 and circular on 16 April 2013;
- (ii) the growth of scale of the Group's inkjet printing business resulting in higher credit limit and longer credit periods offered by the suppliers;
- (iii) the current interest rate on bank deposits is relatively low; and
- (iv) the relatively higher risk of other financial products,

the Company considers that the proposed annual cap for the year ending 31 December 2014 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 2011 Entrusted Loan Master Agreement have not exceeded the original annual caps for the year ending 31 December 2014 as disclosed in the announcement of the Company dated 1 November 2011.

The entrusted loans are 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.

The terms of the Entrusted Loan Master Agreement, including the interest rate applicable, were 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 Entrusted Loan Master Agreement is favourable to the Group and the provision of the entrusted loans to Peking Founder Group could generate a higher return for the idle surplus cash of the Group. Taken 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 will bring in more value to the shareholders of the Company 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 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.

## **LISTING RULES REQUIREMENTS**

Peking Founder is the controlling shareholder of the Company indirectly holding approximately 31.42% 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 Entrusted Loan Master Agreement will constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

Further, provision of the entrusted loans under the 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 Entrusted Loan Master Agreement exceeds 25%, the transactions contemplated under the 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**

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

The independent board committee (comprising all three independent non-executive Directors) will be established to advise the Independent Shareholders in connection with the Entrusted Loan Master Agreement (including the proposed annual caps for the three years ending 31 December 2016). The Company has appointed Industrial Securities (HK) 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 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 August 2014 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

“2011 Entrusted Loan Master Agreement”	the entrusted loan master agreement dated 1 November 2011 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 thereto in the Listing Rules;
“Directors”	the director(s) of the Company;
“Entrusted Loan Master Agreement”	the 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;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;

“Independent Financial Adviser”	Industrial Securities (HK) Capital Limited, which has been appointed to advise the independent board committee in connection with the Entrusted Loan Master Agreement (including the proposed annual caps for the three years ending 31 December 2016);
“Independent Shareholders”	Shareholders other than Peking Founder and its associates;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“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, the controlling shareholder of the Company, which indirectly holds approximately 31.42% 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 Entrusted Loan Master Agreement and its annual caps;
“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**  
**Fang Zhong Hua**  
*Chairman*

Hong Kong, 28 July 2014

*As at the date of this announcement, the board of directors of the Company comprises executive directors of Mr Fang Zhong Hua (Chairman), Professor Xiao Jian Guo (Deputy Chairman), Professor Yang Bin (President), Ms Yi Mei, Ms Zuo Jin and Ms Liu Yu Xiao, 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