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(Incorporated in Bermuda with limited liability)
(Stock Code : 0418)

CONNECTED TRANSACTION

On 11 January 2008, Founder Order, a wholly-owned subsidiary of the Company, entered into the Software Development Agreement with Founder International in respect of certain software development work for the AFC System Project of the Beijing Subway at a consideration of approximately RMB12.90 million before value added tax (approximately RMB15.09 million after value added tax).

In April 2007, Founder Order also purchased certain software from Founder International at a consideration of approximately RMB660,000 before value added tax (approximately RMB774,000 after value added tax). The aggregate amount of the consideration of the Software Development Agreement and that of the software acquisition in April 2007 is approximately RMB13.56 million before value added tax (approximately RMB15.86 million after value added tax). The Group has not entered into any other agreement with Founder International or its associates within the 12 months prior to the date of the Software Development Agreement.

Peking Founder has a shareholding interest of approximately 32.49% in the Company and is the controlling shareholder and a connected person of the Company under the Listing Rules. Founder International is indirectly and effectively owned as to approximately 39.01% by Peking Founder. Founder International is an associate of Peking Founder under the Listing Rules. Accordingly, the Software Development Agreement entered into between Founder Order and Founder International constitutes a connected transaction for the Company pursuant to the Listing Rules. The Software Development Agreement is carried out in the ordinary and usual course of business of Founder Order and is on normal commercial terms. As the relevant percentage ratios are less than 2.5%, pursuant to Rule 14A.32 of the Listing Rules, the transaction under the Software Development Agreement (after aggregating with the software acquisition in April 2007) is subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47, and is exempt from the independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

THE SOFTWARE DEVELOPMENT AGREEMENT

Subject matter of the agreement

On 11 January 2008, Founder Order entered into the Software Development Agreement with Founder International. Pursuant to the Software Development Agreement, Founder Order has engaged Founder

International to further develop certain software for the AFC System Project of the Beijing Subway. Founder International is required to complete the software development by May 2008.

Consideration

The total consideration of the Software Development Agreement is approximately RMB12.90 million before value added tax (equivalent to approximately HK\$13.84 million and approximately RMB15.09 million after value added tax) payable by Founder Order to Founder International in cash. Terms of the Software Development Agreement were agreed after arm's length negotiation between the parties. When agreeing the terms of the Software Development Agreement, Founder Order has considered the amount of work required to be performed by Founder International under the Software Development Agreement and the agreements between Founder Order and Beijing Railway Company (in particular, the agreement entered into on 5 December 2007) as detailed below.

Reasons for the transaction

The Group is principally engaged in software development and systems integration relating to the media industry and non-media industries relating to financial institutions, commercial enterprises and government departments in the PRC. Founder Order is principally engaged in the provision of systems integration focusing on the banking and securities sectors.

Founder International is principally engaged in software development.

The Company refers to its announcement dated 7 November 2005, Founder Order has been appointed as a contractor by Beijing Railway Company in respect of the AFC System Project. Founder Order specializes in the provision of systems integration services, in particular projects relating to the banking and securities sectors in the PRC. The AFC System Project represents the Group's first engagement in the development of fare collection and ticketing system for railway systems. Part of the development of an automatic fare collection system for a railway system involves specialized technical software development knowledge and the Founder Japan Group has the necessary experience and expertise in software development relating to automatic fare collection systems. On 31 October 2005, Founder Order entered into the 2005 Software Development Agreement to engage Founder International to develop certain software for the AFC System Project on a sub-contracting basis. All software development work under the 2005 Software Development Agreement has been completed. The original total consideration payable by Founder Order under the 2005 Software Development Agreement amounted to RMB10 million before value added tax (approximately RMB11.70 million after value added tax). In October 2006, Beijing Railway Company decided to change certain requirements of the AFC System Project. As a result of the change in the requirements in respect of the AFC System Project, additional work has to be carried out. In June 2007, Founder Order entered into a further agreement with Beijing Railway Company in respect of the AFC System Project. On 5 December 2007, Founder Order entered into another further agreement with Beijing Railway Company in respect of the further software development additional work required by Beijing Railway Company in respect of the AFC System Project. Founder Order has

decided to sub-contract the relevant additional software development work to Founder International and thus has entered into the Software Development Agreement with Founder International.

Based on the above, the Directors (including the independent non-executive Directors) consider that the terms of the Software Development Agreement are on normal commercial terms, fair and reasonable and the transactions thereunder are in the interests of the Company and its shareholders as a whole and are in the ordinary and usual course of business of the Group.

SOFTWARE ACQUISITION FROM FOUNDER INTERNATIONAL

Apart from (i) the 2005 Software Development Agreement, under which Founder Order sub-contracted some other software development work in relation to the AFC System Project to Founder International, and (ii) an acquisition of certain proprietary software by Founder Order from Founder International in April 2007 for the development of the AFC System Project, the Group has not entered into any other agreement with Founder International or its associates within the 12 months prior to the date of the Software Development Agreement. The consideration for the software acquisition in April 2007 amounted to approximately RMB660,000 before value added tax (approximately RMB774,000 after value added tax) which was paid by Founder Order to Found International in cash and was determined based on the cost incurred and resources spent by Founder International in developing the relevant software with a mark-up agreed between the parties based on reasonable commercial principle. The purchase of the relevant software from Founder International was incidental to the system integration contract work in respect of the AFC System Project. The aggregate amount of the consideration of the Software Development Agreement and that of the software acquisition in April 2007 is approximately RMB13.56 million before value added tax (approximately RMB15.86 million after value added tax).

The Directors (including the independent non-executive Directors) consider that the terms of the acquisition were on normal commercial terms, fair and reasonable and the acquisition was in the interests of the Company and its shareholders as a whole and in the ordinary and usual course of business of the Group.

CONNECTED TRANSACTIONS

Peking Founder has a shareholding interest of approximately 32.49% in the Company and is the controlling shareholder and a connected person of the Company under the Listing Rules. Founder International is indirectly and effectively owned as to approximately 39.01% by Peking Founder. Founder International is an associate of Peking Founder under the Listing Rules. Accordingly, the Software Development Agreement entered into between Founder Order and Founder International and the acquisition of software by Founder Order from Founder International constitute connected transactions for the Company pursuant to the Listing Rules. At the time when the software acquisition was carried out in April 2007, the acquisition was exempt from all the reporting, announcement and independent shareholders' approval requirements as all applicable percentage ratios were less than 0.1%. Pursuant

to Rule 14A.32 of the Listing Rules, the transaction under the Software Development Agreement (after aggregating with the software acquisition in April 2007) is subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47, and is exempt from the independent shareholders' approval requirements of Chapter 14A of the Listing Rules as the relevant percentage ratios are less than 2.5%.

GENERAL

As at the date of this announcement, the Board comprises Mr Zhang Zhao Dong (Chairman), Professor Xiao Jian Guo (Deputy Chairman), Mr Liu Xiao Kun (President), Professor Wei Xin, Mr Chen Geng and Mr Xie Ke Hai (each of whom an executive Director), Dr Hu Hung Lick, Henry, Mr Li Fat Chung and Ms Wong Lam Kit Yee (each of whom an independent non-executive Director).

DEFINITIONS

“2005 Software Development Agreement”	the software development agreement entered into between Founder Order and Founder International on 31 October 2005
“AFC System Project”	the project of the Beijing Subway to install an automatic fare collection system
“associate(s)”	has the meaning as ascribed to it in the Listing Rules
“Beijing Railway Company”	北京市軌道交通建設管理有限公司 (Beijing MTR Construction Administration Corporation*), an independent third party
“Beijing Subway”	Line 5 of the Beijing Subway
“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
“Directors”	the directors of the Company
“Founder International”	Beijing Founder International Co., Limited (北京方正國際軟件系統有限公司), a wholly-owned subsidiary of Founder Japan
“Founder Japan”	方正株式會社(Founder International Inc.*), a company incorporated in Japan with limited liability and is indirectly and effectively owned as to approximately 39.01% by Peking Founder
“Founder Japan Group”	Founder Japan and its subsidiaries

“Founder Order”	Beijing Founder Order Computer System Co., Limited (北京方正奧德計算機系統有限公司), a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Peking Founder”	Peking University Founder Group Company Limited, the controlling shareholder of the Company, which holds approximately 32.49% of the issued share capital of the Company
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Software Development Agreement”	the software development agreement entered into between Founder Order and Founder International on 11 January 2008
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

For illustrative purposes only, RMB is converted into HK\$ at the rate of RMB1.00 = HK\$1.0729 in this announcement.

By Order of the Board
Founder Holdings Limited
Zhang Zhao Dong
Chairman

Hong Kong, 15 January 2008

* *For identification purposes only*