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(stock code: 00418)

**CONTINUING CONNECTED TRANSACTIONS
AND
CONNECTED TRANSACTION**

Financial adviser

OSK Asia Capital Limited

Leasing of office premises

The Group has been leasing office premises in Beijing, the PRC from the Peking Founder Group on normal commercial terms. On 15 August 2008, Founder Electronics entered into the New Lease Agreement with Fangcheng to lease extra office space from the Peking Founder Group. On 15 August 2008, Founder Electronics also entered into the Lease Renewal Agreement for a term of three years from 1 January 2009 to 31 December 2011.

In view of the New Lease Agreement and the Lease Renewal Agreement, the Company has revised the cap for the year ending 31 December 2008 and set new annual caps for the three years ending 31 December 2011 in respect of leasing of properties by the Group from the Peking Founder Group.

Additional Subway Software Agreement

On 15 August 2008, Founder Order, a wholly-owned subsidiary of the Company, entered into the Additional Subway Software Agreement with Founder International in respect of software development work for the AFC System Project of the Beijing Subway at a consideration of approximately RMB1.86 million (equivalent to approximately HK\$2.12 million) before value added tax and approximately RMB 1.97 million (equivalent to approximately HK\$2.25 million) after value added tax.

New Japan Master Agreement

Founder Electronics has been selling software products and providing software services to Founder Japan pursuant to the Japan Software Agreement. The Japan Software Agreement expired on 6 February 2008. On 15 August 2008, the Company and Founder Japan entered into the New Japan Master Agreement, pursuant to which, subject to obtaining the Independent Shareholders' approval, the Group shall from time to time for a term up to 31 December 2010 sell software, hardware, and/or system integration products and/or provide software, hardware, and/or system integration development services to the Founder Japan Group.

Peking Founder is the ultimate controlling shareholder of the Company holding approximately 32.49% of the issued share capital of the Company and thus a connected person of the Company. Fangcheng is wholly-owned by Peking Founder and is an associate of Peking Founder. Accordingly, the transactions under the New Lease Agreement and the Lease Renewal Agreement constitute continuing connected transactions for the Company.

Founder Japan wholly-owns Founder international and is indirectly and effectively owned as to approximately 39.01% by Peking Founder. Founder Japan and Founder International are associates of Peking Founder under the Listing Rules. Accordingly, the Additional Subway Software Agreement and the New Japan Master Agreement respectively constitute connected transaction and continuing connected transactions respectively for the Company pursuant to the Listing Rules.

As the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules exceed 2.5%, (i) the transactions under the New Lease Agreement (after aggregating with the estimated rental and management fee paid and payable by the Group to the Peking Founder Group for the year ending 31 December 2008 in respect of the leases under the Electronics Lease Agreement and the Order Lease Agreement) and the Lease Renewal Agreement constitute non-exempt continuing connected transactions for the Company; and (ii) the transaction under the Additional Subway Software Agreement (after aggregating with the 2008 Subway Software Agreement entered into in January 2008) constitutes a non-exempt connected transaction for the Company and (iii) the transactions under the New Japan Master Agreement constitute non-exempt continuing connected transactions for the Company under the Listing Rules, and all are subject to the Independent Shareholders' approval.

A special general meeting will be convened by the Company with a view to seeking approval from the Independent Shareholders by poll in accordance with the requirements of the Listing Rules. An independent board committee will be established to advise the Independent Shareholders in respect of the terms of the New Lease Agreement, the Lease Renewal Agreement, the Additional Subway Software Agreement, the New Japan Master Agreement, the Lease Annual Caps and the Japan Annual Caps. An independent financial adviser will be appointed to advise the independent board committee and the Independent Shareholders in this regard.

A circular containing further details of the New Lease Agreement, the Lease Renewal Agreement, the Additional Subway Software Agreement, the New Japan Master Agreement, the Lease Annual Caps, the Japan Annual Caps, the advice from the independent board committee to the Independent Shareholders, the advice from the independent financial adviser to the independent board committee and the Independent Shareholders and a notice convening a special general meeting to approve the New Lease Agreement, the Lease Renewal Agreement, the Additional Subway Software Agreement, the New Japan Master Agreement, the Lease Annual Caps and the Japan Annual Caps will be dispatched to the Shareholders as soon as practicable.

LEASING OF OFFICE PREMISES

The Group has been leasing office premises in Beijing, the PRC from the Peking Founder Group on normal commercial terms. The Board refers to the announcement of the Company dated 21 November 2005 and 17 April 2008 in relation to the Lease Agreements which will expire on 31 December 2008. On 15 August 2008, Founder Electronics entered into the New Lease Agreement with Fangcheng to lease extra office space from the Peking Founder Group and entered into the Lease Renewal Agreement with Fangcheng to renew certain lease agreements entered into between the Group and the Peking Founder Group.

Principal terms of the New Lease Agreement

Lessor	Fangcheng, a wholly-owned subsidiary of Peking Founder, which is principally engaged in properties leasing business
Lessee	Founder Electronics, a wholly-owned subsidiary of the Company, which is principally engaged in software development and systems integration business
Property leased	3 rd floor and 4 th floor of the ancillary tower of Shangdi Founder Building
Area	Approximately 1,249.81 sq. m.
Unit rental (inclusive of management fee)	RMB1.8 per sq. m. per day
Total rental and management fee	Not more than RMB230,000 (equivalent to approximately HK\$262,000) (assuming the lease commences on 22 September 2008)
Lease term	The New Lease Agreement shall commence from the later of (i) 22 September 2008 or (ii) the day when the Company has obtained the necessary approval from the Independent Shareholders and end on 31 December 2008.

Other terms and conditions The rental and management fees are payable in cash quarterly in advance. Subject to compliance with the Listing Rules, the lessee may give at least two-month written notice before the expiry of the agreement to the lessor 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 New Lease Agreement is conditional on obtaining the Independent Shareholders' approval.

Principal terms of the Lease Renewal Agreement

Lessor	Fangcheng
Lessee	Founder Electronics
Property leased	(a) 1 st to 5 th floor and basement of the main tower of Shangdi Founder Building (b) 3 rd floor, 4 th floor and basement of the ancillary tower of Shangdi Founder Building (the leasing of the 3 rd floor and 4 th floor of the ancillary tower of Shangdi Founder Building under the Lease Renewal Agreement is subject to the New Lease Agreement being approved by the Independent Shareholders)
Area	Approximately 16,055.82 sq. m.
Unit rental (inclusive of management fee)	(a) RMB2.10 sq. m. per day for 1 st to 5 th floor of the main tower of Shangdi Founder Building (b) RMB2.10 sq. m. per day for 3 rd floor and 4 th floor of the ancillary tower of Shangdi Founder Building (c) RMB0.54 sq. m. per day for basement of the main and ancillary tower of Shangdi Founder Building
Total annual rental and management fee	RMB10,185,000 (equivalent to approximately HK\$11,611,000)
Lease term	1 January 2009 to 31 December 2011

Other terms and conditions The rental and management fees are payable in cash quarterly in advance. Subject to compliance with the Listing Rules, the lessee may give at least two-month written notice before the expiry of the agreement to the lessor 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 Lease Renewal Agreement is conditional on obtaining the Independent Shareholders' approval.

Lease Annual Caps

The Company has set an annual cap of RMB230,000 (equivalent to approximately HK\$262,000) in respect of the property leasing transactions under the New Lease Agreement for the year ending 31 December 2008. The new cap is calculated based on the rental and management fees paid and payable by the Group under the New Lease Agreement.

The annual caps for all the lease transactions under the Lease Renewal Agreement for each of the three years ending 31 December 2011 is RMB10,185,000 (equivalent to approximately HK\$11,611,000) which is calculated based on the rental and management fees payable by the Group under the Lease Renewal Agreement. The Directors (excluding the independent non-executive Directors who will express their view after receiving advice from the independent financial adviser) consider the Lease Annual Caps are fair and reasonable.

Reasons for and the benefits of the New Lease Agreement and the Lease Renewal Agreement

With reference to the Company's announcement dated 21 November 2005, the Group has been leasing certain premises at Shangdi Founder Building from the Peking Founder Group under the Electronics Lease Agreement as offices, canteens and staff quarters. In anticipation of the growth in the Group's business and operation and to maintain the Group's current centralized office locations in Beijing, the Group entered into the New Lease Agreement to lease additional office space from the Peking Founder Group. Due to the soon expiry of the Electronics Lease Agreement (and the New Lease Agreement) on 31 December 2008, the Group entered into the Lease Renewal Agreement to renew the leases for another term of three years from 2009 to 2011.

The terms of the New Lease Agreement and the Lease Renewal Agreement are arrived at after arm's length negotiations between the parties involved with reference to the prevailing market rent of comparable properties in Beijing.

The Directors (excluding the independent non-executive Directors who will express their view after receiving advice from the independent financial adviser) are of the view that transactions under the New Lease Agreement and the Lease Renewal Agreement 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.

ADDITIONAL SUBWAY SOFTWARE AGREEMENT

Subject matter of the agreement

On 15 August 2008, Founder Order entered into the Additional Subway Software Agreement with Founder International under which Founder Order has agreed to engage Founder International to develop certain software for the AFC System Project of the Beijing Subway, subject to obtaining the Independent Shareholders' approval.

Consideration

The total consideration of the Additional Subway Software Agreement is approximately RMB1.86 million (equivalent to approximately HK\$2.12 million) before value added tax and approximately RMB1.97 million (equivalent to approximately to HK\$2.25 million) after value added tax payable by Founder Order to Founder International in cash. The total consideration shall be paid in two equal payments respectively within five and ten days after Founder International has completed the software development under the Additional Subway Software Agreement.

The consideration of the Additional Subway Software Agreement is determined based on the consideration under the engagement of Founder Order by Beijing Railway Company in December 2007 to carry out the further software development in respect of the AFC System Project (as further detailed in the paragraph headed "Reasons for the transaction" below). Terms of the Additional Subway Software Agreement were agreed after arm's length negotiation between the parties.

The Additional Subway Software Agreement is subject to the Independent Shareholders' approval.

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.

With reference to the announcement of the Company dated 7 November 2005, Founder Order was 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 represented 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. Accordingly, Founder Order engaged Founder International to develop and purchased from Founder International certain software for the AFC System Project.

On 5 December 2007, Beijing Railway Company engaged Founder Order to carry out additional software development work in respect of the AFC System Project. On 11 January 2008, Founder Order entered into the 2008 Subway Software Agreement with Founder International to subcontract a part of the additional software development work to Founder International for a consideration of approximately RMB12.90 million (equivalent to approximately HK\$14.71 million) before value added tax (as announced by the Company on 15 January 2008). Founder International has started certain technical and feasibility studies on the software development work in respect of the rest of the additional software development work required by Beijing Railway Company. On 15 August 2008, Founder Order entered into the Additional Subway Software Agreement to engage Founder International to carry out the rest of the additional software development work required by Beijing Railway Company, subject to obtaining the Independent Shareholders' approval. The total consideration of the Additional Subway Agreement and the 2008 Subway Software Agreement is equivalent to the consideration under the engagement of Founder Order by Beijing Railway Company in December 2007 to carry out the further software development in respect of the AFC System Project

Based on the above, the Directors (excluding the independent non-executive Directors who will express their view after receiving advice from the independent financial adviser) consider that the terms of the Additional Subway Software 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.

NEW JAPAN MASTER AGREEMENT

Founder Electronics has been selling software products and providing software development services to Founder Japan pursuant to the Japan Software Agreement (details of the agreement were set out in the circular of the Company dated 28 February 2005). Founder Japan is principally engaged in systems integration and software development. The Board has set the annual caps for transactions under the Japan Software Agreement for the three years ended 31 December 2007. The Japan Software Agreement expired on 6 February 2008. On 15 August 2008, the Company and Founder Japan entered into the New Japan Master Agreement.

Principal terms

Pursuant to the New Japan Master Agreement, subject to obtaining the Independent Shareholders' approval, the Group may from time to time for a term up to 31 December 2010 sell software, hardware, and/or system integration products and/or provide software, hardware, and/or system integration development services to the Founder Japan Group at terms determined at the relevant time:

- (i) with reference to the prices and credit terms at which comparable services or products are supplied on normal commercial terms in its ordinary and usual course of business to independent third party customers in local market and/or adjacent regions; or
- (ii) where no comparables as stated in (i) are available, with reference to the prices and credit terms at which comparable services or products are supplied on normal commercial terms in its ordinary and usual course of business to independent third party customers in the PRC; or
- (iii) where none of the above comparables is available, with reference to the prices and credit terms agreed between the parties on arm's length basis which are fair and reasonable and in the interests of the Shareholders as a whole.

The Company has set the Japan Annual Caps for the transactions under the New Japan Master Agreement for the three years ending 31 December 2010 subject to the Independent Shareholders' approval. Set out below are (i) the annual caps and the audited transaction amounts for the two years ended 31 December 2007 in respect of the Japan Software Agreement and (ii) the Japan Annual Caps for the three years ending 31 December 2010:

	For the year ended 31 December		For the year ending 31 December		
	2006	2007	2008	2009	2010
	Audited	Audited			
	HK\$	HK\$	HK\$	HK\$	HK\$
Transaction amount	6,578,000	8,850,000	n/a	n/a	n/a
Annual cap	7,800,000*	10,530,000*	11,505,000	13,806,000	15,187,000

* The annual caps for the two years ended 31 December 2007 in respect of the Japan Software Agreement were US\$1 million (equivalent to approximately HK\$7.8 million) and US\$1.35 million (equivalent to approximately HK\$10.53 million).

** Founder Electronics sold software products and provided software development services to Founder Japan amounting to approximately HK\$2,009,020 for the seven months ended 31 July 2008 based on the management accounts of the Group.

The Japan Annual Caps for the three years ending 31 December 2010 are determined based on the growth rates of 30%, 20% and 10% respectively. The Company anticipates that the transaction amount for 2008 under the New Japan Master Agreement would grow comparably to the historic growth rate of the transaction amount under the Japan Software Agreement for 2007 of 34.5% and determines the annual cap for 2008 based on the growth rate of 30%. The Company anticipates that the transaction amounts for 2009 and 2010 would grow moderately with reference to the future market conditions anticipated by the Company and determines the annual caps for 2009 and 2010 based on growth rates of 20% and 10% respectively.

Reasons for and the benefits of the New Japan Master Agreement

Founder Electronics has been selling software products and providing software development services to Founder Japan pursuant to the Japan Software Agreement. The Japan Software Agreement expired on 6 February 2008. The Group therefore entered into the New Japan Master Agreement on terms acceptable to the Group.

The terms of the New Japan Master Agreement are arrived at after arm's length negotiations between the parties. The Directors (excluding the independent non-executive Directors who will express their view after receiving advice from the independent financial adviser) are of the view that transactions under the New Japan Master Agreement 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.

LISTING RULES REQUIREMENTS

Peking Founder is the ultimate controlling shareholder of the Company holding approximately 32.49% of the issued share capital of the Company and thus a connected person of the Company. Fangcheng is wholly-owned by Peking Founder and is an associate of Peking Founder. Accordingly, the transactions under the New Lease Agreement and the Lease Renewal Agreement constitute continuing connected transactions for the Company.

Founder Japan wholly-owns Founder International and is indirectly and effectively owned as to approximately 39.01% by Peking Founder. Founder Japan and Founder International are associates of Peking Founder under the Listing Rules. Accordingly, the Additional Subway Software Agreement and the New Japan Master Agreement respectively constitute a connected transaction and continuing connected transactions for the Company pursuant to the Listing Rules.

As the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules exceed 2.5%, (i) the transactions under the New Lease Agreement (after aggregating with the estimated rental and management fee paid and payable by the Group to the Peking Founder Group for the year ending 31 December 2008 in respect of the leases under the Electronics Lease Agreement and the Order Lease Agreement) and the Lease Renewal Agreement constitute non-exempt continuing connected transactions for the Company; and (ii) the transaction under the Additional Subway Software Agreement (after aggregating with the 2008 Subway Software Agreement entered into in January 2008) constitutes a non-exempt connected transaction for the Company and (iii) the transactions under the New Japan Master Agreement constitute non-exempt continuing connected transactions for the Company under the Listing Rules, and all are subject to the Independent Shareholders' approval.

A special general meeting will be convened by the Company with a view to seeking approval from the Independent Shareholders by poll in accordance with the requirements of the Listing Rules and Peking Founder and its associates are required to abstain from voting at the special general meeting. An independent board committee will be established to advise the Independent Shareholders in respect of the terms of the New Lease Agreement, the Lease Renewal Agreement, the Additional Subway Software Agreement, the New Japan Master Agreement, the Lease Annual Caps and the Japan Annual Caps. An independent financial adviser will be appointed to advise the independent board committee and the Independent Shareholders in this regard.

A circular containing further details of the New Lease Agreement, the Lease Renewal Agreement, the Additional Subway Software Agreement, the New Japan Master Agreement, the Lease Annual Caps, the Japan Annual Caps, the advice from the independent board committee to the Independent Shareholders, the advice from the independent financial adviser to the independent board committee and the Independent Shareholders and a notice convening a special general meeting to approve the New Lease Agreement, the Lease Renewal Agreement, the Additional Subway Software Agreement, the New Japan Master Agreement, the Lease Annual Caps and the Japan Annual Caps will be dispatched to the Shareholders as soon as practicable.

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

“2008 Subway Software Agreement”	the software development agreement entered into between Founder Order and Founder International on 11 January 2008
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“Additional Subway Software Agreement”	the agreement entered into between Founder Order and Founder International on 15 August 2008
“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
“Electronics Lease Agreement”	the lease agreement entered into between Founder Electronics and Fangcheng on 10 January 2006 pursuant to which the Group leases certain premises from the Peking Founder Group
“Fangcheng”	北京方誠物業管理有限責任公司 (Beijing Fangcheng Property Management Co., Limited*), a company established in the PRC and a wholly-owned subsidiary of Peking Founder
“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
“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”	北京方正奧德計算機系統有限公司 (Beijing Founder Order Computer System Co., Limited*), a company established in the PRC and a wholly- owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Shareholders”	Shareholders other than Peking Founder and its associates
“Japan Annual Caps”	the annual caps for the three years ending 31 December 2010 in respect of the transactions under the New Japan Master Agreement
“Japan Software Agreement”	the agreement entered into between Founder Electronics and Founder Japan dated 7 February 2005
“Lease Agreements”	the Electronics Lease Agreement and the Order Lease Agreement
“Lease Annual Caps”	the annual cap for the year ending 31 December 2008 in respect of the lease under the New Lease Agreement and the new annual caps for the three years ending 31 December 2011 in respect of the leases under the Lease Renewal Agreement
“Lease Renewal Agreement”	the lease agreement entered into between Founder Electronics and Fangcheng on 15 August 2008 to renew certain leases of properties by the Group from the Peking Founder Group for a term of three years ending 31 December 2011
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Japan Master Agreement”	the agreement entered into between the Company and Founder Japan on 15 August 2008 pursuant to which, subject to obtaining Independent Shareholders’ approval, the Group shall from time to time for a term up to 31 December 2010 sell software, hardware, and/or system integration products and/or provide software, hardware, and/or system integration development services to the Founder Japan Group

“New Lease Agreement”	the lease agreement entered into between Founder Electronics and Fangcheng on 15 August 2008 for the leasing of certain premises located at Shangdi Founder Building by the Group from the Peking Founder Group
“Order Lease Agreement”	the lease agreement entered into between Founder Order and Fangcheng on 11 April 2008 pursuant to which the Group leased certain premises located in Zhongguancun Founder Building (中關村方正大廈) from the Peking Founder Group
“Peking Founder”	Peking University Founder Group Company Limited* (北大方正集團有限公司), a company established in the PRC with limited liability, which is interested in approximately 32.49% of the issued share capital of the Company as at the date of this announcement
“Peking Founder Group”	Peking Founder and its associates (excluding the Group)
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shangdi Founder Building”	Shangdi Founder Building (上地方正大廈) at No.9, Shangdi 5 th Street (also known as Shangdi Information Industry Base), Haidian District, Beijing, the PRC
“Shareholders”	holder(s) of ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars

**For identification purposes only*

For illustrative purposes only, RMB is converted into HK\$ at the rate of RMB1.00 = HK\$1.14 and US\$ is converted into HK\$ at the rate of US\$1.00 = HK\$7.80 in this announcement.

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

Hong Kong, 15 August 2008