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(Stock Code: 00418)

## **NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

### **PURCHASE OF INFORMATION PRODUCTS AND RESEARCH AND DEVELOPMENT SERVICES FROM PEKING FOUNDER GROUP**

As a result of the continuous growth in the sales of software products and in order to strengthen the Group's capability to develop proprietary software products, the Company proposes to enter into the Peking Founder Master Agreement with Peking Founder pursuant to which the Group will purchase information products and research and development services from the Peking Founder Group.

It is proposed that the term of the Peking Founder Master Agreement will commence on 1 January 2009 for a term of three years and expire on 31 December 2011.

### **CONTINUING CONNECTED TRANSACTIONS**

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

Since the applicable percentage ratios in respect of the proposed annual caps under the Peking Founder Master Agreement exceeds 2.5% and the annual consideration exceeds HK\$10,000,000, the transactions contemplated under the Peking Founder Master Agreement shall be subject to the reporting, announcement and independent shareholders' approval requirements pursuant to 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 Peking Founder Master Agreement (including the proposed annual caps for the three years ending 31 December 2011). The Company has appointed KGI Capital Asia 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 Peking Founder Master Agreement, letters from the independent board committee and the independent financial adviser, and a notice convening a special general meeting of the Company as soon as possible.

Peking Founder and its associates will abstain from voting at the special general meeting in respect of the relevant resolutions.

## **(A) PURCHASE OF INFORMATION PRODUCTS AND RESEARCH AND DEVELOPMENT SERVICES FROM PEKING FOUNDER GROUP**

As a result of the continuous growth in the sales of software products and in order to strengthen the Group's capability to develop proprietary software products, the Company proposes to enter into the Peking Founder Master Agreement with Peking Founder pursuant to which the Group will purchase information products and research and development services from the Peking Founder Group.

It is proposed that the term of the Peking Founder Master Agreement will commence on 1 January 2009 for a term of three years and expire on 31 December 2011. Pursuant to the Peking Founder Master Agreement, the Group will purchase from the Peking Founder Group information products and services such as information software and hardware products, system integration products, software development services, and hardware/system integration development services.

The Peking Founder Group will provide information products and research and development services to the Group at market prices determined at the relevant time: (i) with reference to the prices and credit terms at which such products and services are supplied, on normal commercial terms in its ordinary and usual course of business, to independent third party customers in the 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 such products and services 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 and which are fair and reasonable in the interests of the shareholders of the Company as a whole.

### **Historical figures and annual caps**

The following table sets out the actual purchase figures of the information products and research and development services by the Group from the Peking Founder Group for each of the two years ended 31 December 2007 and the 10 months ended 31 October 2008 as well as the proposed annual caps for the three years ending 31 December 2011:

	<b>Year ended 31 December 2006 RMB 'million</b>	<b>Year ended 31 December 2007 RMB' million</b>	<b>10 months ended 31 October 2008 RMB' million</b>	<b>Year ending 31 December 2009 RMB' million</b>	<b>Year ending 31 December 2010 RMB' million</b>	<b>Year ending 31 December 2011 RMB' million</b>
Actual purchases	2.53	0.52	0.22	N/A	N/A	N/A
Proposed annual caps	N/A	N/A	N/A	12	14	19

The proposed annual caps contemplated under the Peking Founder Master Agreement are determined with reference to the estimated sales of the software products by the Group for the three years ending 31 December 2011 and the Company's projection for its growth requirement relating to its research and development capability. Previously the Group did not outsource much of its research and development work to the Peking Founder Group and has been undertaking most of the research and development work on its own. By developing a stronger co-operation with the Peking Founder Group, the Group will be able to out-source part of its research and development work to the Peking Founder Group with higher flexibility in terms of staff administration, headcount management, cost control and project management.

## **(B) REASONS FOR AND BENEFITS OF THE PEKING FOUNDER MASTER AGREEMENT**

The Peking Founder Group is principally engaged in 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. One of the businesses engaged by the Peking Founder Group is the provision of software solutions and services.

The Group is principally engaged in software development and system integration relating to the media industry and non-media industries relating to financial institutions, commercial enterprises and government departments in the PRC. The Group purchases information hardware products for its customers in order to establish computer systems. It also provides software and hardware solutions to its clients as well as for use in its software development business.

The Company intends to strength its capability of developing proprietary software products in the future in order to enable the Company to gain higher market share in the software development and system integration business in the PRC. Compared with recruiting more research and development staff and acquiring the relevant equipments, the Board considers it more cost effective to leverage on the research and development capability of the Peking Founder Group for the time being, so that the Group could maximize its profit margin.

The Board considers that the terms of the Peking Founder Master Agreement were arrived at after arm's length negotiations between the parties involved. The Peking Founder Master Agreement will be entered into in the ordinary and usual course of business of the Group. The Directors (excluding the independent non-executive Directors who will express their opinion after receiving advice from the independent financial adviser) consider that the transactions under the Peking Founder Master Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole and that the proposed annual caps for the transactions thereon are fair and reasonable.

## **(C) CONTINUING CONNECTED TRANSACTIONS**

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

Since the applicable percentage ratios in respect of the proposed annual caps under the Peking Founder Master Agreement exceeds 2.5% and the annual consideration exceeds HK\$10,000,000, the transactions contemplated under the Peking Founder Master Agreement shall be subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

## **(D) GENERAL**

The independent board committee (comprising all three independent non-executive Directors) will be established to advise the independent shareholders in connection with the Peking Founder Master Agreement (including the proposed annual caps for the three years ending 31 December 2011). The Company has appointed KGI Capital Asia 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 Peking Founder Master Agreement, letters from the independent board committee and the independent financial adviser, and a notice convening a special general meeting of the Company as soon as possible.

Peking Founder and its associates will abstain from voting at the special general meeting in respect of the relevant resolutions.

As at the date of this announcement, the Board comprises executive Directors of 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 and the independent non-executive Directors of Mr Li Fat Chung, Dr Hu Hung Lick, Henry and Ms Wong Lam Kit Yee.

## **DEFINITIONS**

"associate(s)"	has the meaning as ascribed to it in 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
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the People's Republic of China
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Peking Founder Master Agreement"	the master agreement to be entered into between Peking Founder and the Company in relation to the provision of information products and services to the Group by the Peking Founder Group for a term of three years from 1 January 2009 to 31 December 2011
"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 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
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent.

*For illustrative purposes only, RMB is converted into HK\$ at an exchange rate of RMB1.00 = HK\$1.132 in this announcement.*

By Order of the Board  
**FOUNDER HOLDINGS LIMITED**  
**Zhang Zhao Dong**  
*Chairman*

Hong Kong, 18 November 2008

*\* For identification purposes only*