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**(1) MAJOR AND CONNECTED TRANSACTION:  
DISPOSAL OF THE ENTIRE EQUITY INTEREST IN  
BEIJING FOUNDER ORDER COMPUTER SYSTEMS CO. LTD.; AND  
(2) CONTINUING CONNECTED TRANSACTIONS:  
THE MASTER SALES AGREEMENT**

**DISPOSAL AGREEMENT**

The Board is pleased to announce that on 24 June 2010, a wholly-owned subsidiary of the Company, Sparkling Idea, has entered into the Disposal Agreement with Founder International, pursuant to which Sparkling Idea agrees to sell, and Founder International agrees to purchase, the entire equity interest in Founder Order for a consideration of HK\$47.5 million. Upon Completion, the Group will cease to hold any equity interest in Founder Order.

**IMPLICATION OF THE LISTING RULES**

As the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal are 25% or more but less than 75%, the Disposal constitutes a major transaction for the Company under Rule 14.06 of the Listing Rules and consequently is subject to notification, publication and shareholders' approval requirements under Chapter 14 of the Listing Rules.

In addition, as at the date of this announcement, Founder International is owned as to 37.36% by Peking Founder, the controlling shareholder of the Company with a shareholding interest of 32.49% in the Company. As such, Founder International is an associate of a connected person of the Company under the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **CONTINUING CONNECTED TRANSACTIONS**

After Completion, Founder Order will become an associate of Peking Founder, a connected person of the Company. As the Group has been supplying certain information products (including but not limited to desktop computers, laptop computers, servers and internet products) to Founder Order on normal commercial terms, such ongoing sales will, after Completion, constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Hence, it is proposed that the Master Sales Agreement be entered into between Peking Founder and the Company in order to govern and specify the terms adopted and the annual caps for the total amount of the aforesaid ongoing transactions for the three years ending 31 December 2012. The term of the Master Sales Agreement will become effective from the date of execution upon obtaining approval of the Independent Shareholders in the SGM until 31 December 2012.

As one of the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules is 25% or more and the annual caps exceed HK\$10,000,000, the entering into the Master Sales Agreement and the transactions contemplated thereunder by the Company constitute non-exempt continuing connected transactions for the Company under Rules 14A.16(5) and 14A.17 of the Listing Rules and are subject to the annual review, reporting and announcement requirements under Rules 14A.37 to 14A.41, 14A.45 and 14A.47 of the Listing Rules. In addition, both the Master Sales Agreement and its annual caps are subject to the approval by the Independent Shareholders pursuant to Rules 14A.17 and 14A.52 of the Listing Rules.

## **SGM**

The SGM will be convened at which resolutions will be proposed to seek the Independent Shareholders' approval by way of poll in relation to (i) the Disposal and (ii) the Master Sales Agreement and its annual caps. Peking Founder, together with its associates, and all parties involved in or interested in the Disposal and the Master Sales Agreement are required to abstain from voting with respect to the resolutions for approving the Disposal and the Master Sales Agreement and its annual caps.

## **GENERAL**

The Independent Board Committee comprising all the independent non-executive Directors, namely, Mr Li Fat Chung, Dr Hu Hung Lick, Henry and Ms Wong Lam Kit Yee has been established to consider the terms of the Disposal Agreement and the Master Sales Agreement and its annual caps, and to advise the Independent Shareholders as to whether the terms of the Disposal Agreement and the Master Sales Agreement and its annual caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and its shareholders as a whole. No member of the Independent Board Committee has any material interest in the Disposal Agreement and the Master Sales Agreement and its annual caps.

An independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal Agreement and the Master Sales Agreement and its annual caps.

A circular containing, among others things, (i) details of the Disposal Agreement; (ii) details of the Master Sales Agreement and its annual caps; (iii) a letter of recommendations from the Independent Board Committee to the Independent Shareholders in respect of the Disposal Agreement and the Master Sales Agreement and its annual caps; (iv) a letter of advice from the independent financial adviser of the Company to the Independent Board Committee and the Independent Shareholders in respect of the Disposal Agreement and the Master Sales Agreement and its annual caps; and (iv) a notice convening the SGM will be dispatched to the shareholders of the Company on or before 14 July 2010, being less than 15 business days from the day of this announcement, in accordance with the Listing Rules.

## **(I) THE DISPOSAL OF FOUNDER ORDER**

### **A. BACKGROUND**

The Board is pleased to announce that on 24 June 2010, Sparkling Idea, a wholly-owned subsidiary of the Company, entered into the Disposal Agreement with Founder International, pursuant to which Sparkling Idea agrees to sell, and Founder International agrees to purchase, the entire equity interest in Founder Order for a consideration of HK\$47.5 million.

Founder Order is mainly engaged in software development and systems integration for non-media industry in the PRC.

### **B. PRINCIPAL TERMS OF THE DISPOSAL AGREEMENT**

**Date:**

24 June 2010

**Parties:**

- (1) Sparkling Idea as vendor; and
- (2) Founder International as purchaser.

As at the date of this announcement, Peking Founder, the controlling shareholder of the Company, holds 367,179,610 ordinary shares of the Company, representing approximately 32.49% of the total issued share capital of the Company. As such, Founder International is a connected person of the Company under the Listing Rules by virtue of its being an associate of Peking Founder.

**Assets to be disposed:**

Pursuant to the Disposal Agreement, Sparkling Idea conditionally agreed to sell, and Founder International conditionally agreed to purchase the entire equity interest in Founder Order. The Consideration is HK\$47.5 million, taking into account various relevant factors including the audited net assets of Founder Order as at 31 December 2009 and waiver of all outstanding indebtedness due and owing by Founder Order to the Company and its subsidiary as at 31 May 2010.

**Conditions Precedent as contemplated under the Disposal Agreement:**

Completion of the Disposal as contemplated under the Disposal Agreement is subject to and conditional upon the fulfillment or otherwise waiver of, among other things, the following conditions precedent on or before 31 December 2010 (or such other date as the parties to the Disposal Agreement may agree in writing):

- (a) the passing of a resolution by Sparkling Idea as shareholder of Founder Order approving the Disposal and all other documents and transactions incidental to and as contemplated under the Disposal Agreement;
- (b) the passing of a resolution of the board of directors of Founder Order approving the Disposal and all other documents and transactions incidental to and as contemplated under the Disposal Agreement;
- (c) the passing of a resolution of the board of directors of Founder International approving the Disposal and all other documents and transactions incidental to and as contemplated under the Disposal Agreement;
- (d) the passing of a resolution of the board of directors of Sparkling Idea approving the Disposal and all other documents and transactions incidental to and as contemplated under the Disposal Agreement;
- (e) the execution of the deed of waiver in respect of all outstanding indebtedness due and owing by Founder Order to the Company and its subsidiary in the aggregate amount of approximately HK\$3.7 million as at 31 May 2010;
- (f) the obtaining of all necessary approvals from the relevant authorities in the PRC in respect of the sale and purchase of the entire equity interest in Founder Order pursuant to the Disposal Agreement; and
- (g) to the extent required by the Listing Rules, the effective passing of all necessary resolutions by the Independent Shareholders (who shall have no interest in the Disposal Agreement) at the SGM of the Company by poll, approving the transactions contemplated under (i) the Disposal Agreement; and (ii) the Master Sales Agreement and its annual caps pursuant to the requirements of the Listing Rules and the Bye-laws of the Company.

Sparkling Idea and Founder International may, together in writing, at any time relinquish or waive the fulfillment of (all or part of) the Conditions Precedent set out in paragraphs (a) to (f) above. The Conditions Precedent set out in paragraph (g) above shall not be relinquished or waived in any event.

In the event that not all of the Conditions Precedent have been fulfilled or waived on or before 31 December 2010 (or such later date as agreed in writing between the parties to the Disposal Agreement), the Disposal Agreement and the transactions as contemplated under the Disposal Agreement shall be forthwith terminated and be of no effect. Completion shall take place on or before the seventh business day (or such other date as Sparkling Idea and the Founder International may agree in writing) after the Conditions Precedent have been fulfilled (or waived, where applicable) in accordance with the Disposal Agreement.

**Completion:**

Subject to fulfillment or waiver (if applicable) of the Conditions Precedent to the Disposal Agreement, Completion shall take place on Completion Date.

**Consideration:**

The Consideration for the Disposal is HK\$47.5 million. The Consideration has been arrived at after arm's length negotiations between Sparkling Idea and Founder International after taking into account various relevant factors including (1) audited net assets of Founder Order in the amount of approximately HK\$43.8 million as at 31 December 2009; and (2) waiver of all outstanding indebtedness due and owing by Founder Order to the Company and its subsidiary in the aggregate amount of approximately HK\$3.7 million as at 31 May 2010.

The Consideration payable by Founder International to Sparkling Idea for the Disposal shall be satisfied entirely by cash, which shall be payable in the following manner:

- HK\$5 million upon the passing by poll of the necessary resolutions by the Independent Shareholders at the SGM of the Company; and
- HK\$42.5 million upon Completion.

**C. REASONS FOR AND BENEFITS OF THE DISPOSAL**

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.

Founder Order is engaged in software development and the systems integration for non-media industry in the PRC and has incurred losses for the year ended 31 December 2009 and the four months ended 30 April 2010. The Directors consider that the Disposal represents a good opportunity for the Group to realise its investment in Founder Order at a fair and reasonable price. In addition, the Board

considers that the disposal of a loss-incurring subsidiary provides the Group with an opportunity to streamline its business model and enhance profitability. After Completion, the Group will no longer be required to provide additional resources for the operations of Founder Order, so that the Group may reallocate its resources to other investments which may generate higher returns for the Group.

As the result of the Disposal, the Directors expect that the Group would record an unaudited gain on the disposal of approximately HK\$13.2 million. Given that the Consideration is based on various relevant factors including audited net assets of Founder Order as at 31 December 2009 and waiver of all outstanding indebtedness due and owing by Founder Order to the Company and its subsidiary as at 31 May 2010, any operation loss of Founder Order after such date would give rise to a gain on disposal for the Group. The gain on disposal is calculated by taking into account the unaudited loss of Founder Order for the four months ended 30 April 2010 and the estimated professional expenses in connection with the Disposal. The sales proceeds will be used by the Group for the development of its existing media business and general working capital purposes.

Before Completion, Founder Order is an indirect wholly-owned subsidiary of the Company. After Completion, Founder Order will cease to be a subsidiary of the Company, and the Company will no longer have any interest in Founder Order.

Accordingly, the Directors (excluding the independent non-executive Directors whose views will be based on the opinion of the independent financial adviser) consider that it would be in the interest of the Company and its shareholders as a whole to dispose of the entire equity interest in Founder Order and to seek alternate uses of resources which would offer better returns to the shareholders of the Company by offering better development potentials.

In view of the above and having considered the terms of the Disposal Agreement, the Directors (excluding the independent non-executive Directors whose view will be based on the opinion of an independent financial adviser) consider that the Disposal is (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and its shareholders as a whole.

#### **D. INFORMATION ON FOUNDER INTERNATIONAL**

Founder International was incorporated on 4 August 2009 in the PRC and is mainly engaged in the business of software development.

As of the Latest Practicable Date, Peking Founder held approximately 37.36% of the issued share capital of Founder International. 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.

#### **E. INFORMATION ON FOUNDER ORDER**

Founder Order, a wholly-owned subsidiary of Sparkling Idea, was established in the PRC in 1999. Founder Order is mainly engaged in software development and systems integration for non-media industry in the PRC.

The summary financial information of the Founder Order for the year ended 31 December 2009 and the four months ended 30 April 2010, prepared in accordance with Hong Kong Financial Reporting Standards, are set out as follows:

	<b>For the four months ended 30 April 2010 unaudited HK\$'000</b>	<b>Year ended 31 December 2009 audited HK\$'000</b>
Loss before taxation	13,982	13,107
Loss after taxation	13,982	13,107

Founder Order's audited net assets value amounted to approximately HK\$43.8 million as at 31 December 2009.

#### **F. LISTING RULES IMPLICATIONS FOR THE DISPOSAL**

As the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal are 25% or more but less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and consequently is subject to notification, publication, and shareholders' approval requirements under Chapter 14 of the Listing Rules. In addition, as at the date of this announcement, Founder International is owned as to 37.36% by Peking Founder, the controlling shareholder of the Company with an equity interest of 32.49% in the Company. As such, Founder International is a connected person of the Company under the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## (II) CONTINUING CONNECTED TRANSACTIONS

### A. INTRODUCTION

The Directors noted that the Group has been supplying certain information products (including but not limited to desktop computers, laptop computers, servers and internet products) to Founder Order on normal commercial terms on an ongoing basis.

After Completion, Founder Order will become an associate of Peking Founder, a connected person of the Company. Therefore, the ongoing sales of information products between the Group and Founder Order will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

In light of the above, the Master Sales Agreement will be entered into between Peking Founder and the Company in order to govern and specify the terms adopted and the annual caps for the total amount of the aforesaid ongoing transactions for the three years ending 31 December 2012. The proposed annual caps is determined based on the Company's estimation of the sales for three years ending 31 December 2012 with reference to the historical sales pattern for the three financial years ended 31 December 2009 and the sales for the four months ended 30 April 2010. The term of the Master Sales Agreement will become effective from the date of execution upon approval by the Independent Shareholders in SGM until 31 December 2012.

### B. THE MASTER SALES AGREEMENT

Pursuant to the Master Sales Agreement, the Company should provide information products to the Peking Founder Group at the price based on the rack rate payable by the Group to the suppliers, exclusive of any freight charges and tax payable, at the time of purchase of the relevant information products plus a commission at 0.3% which is determined with reference to the level of administrative and logistics effort. Further, the Peking Founder Group should bear all the freight charges, taxes and other relevant expenses in relation to the information products which the Group purchased from the suppliers.

#### Historical values and annual caps:

	Year ended 31 December 2009 RMB'000	Four months ended 30 April 2010 RMB'000	Year ending 31 December 2010 RMB'000	Year ending 31 December 2011 RMB'000	Year ending 31 December 2012 RMB'000
Actual sales	81,057	28,246	N/A	N/A	N/A
Annual caps	N/A	N/A	170,000	190,400	213,248



Founder Order has been purchasing information products from the Company for use in its operation and business. As demonstrated in the above table, there has been steady growth in the transaction value for the Company's sales of products to Founder Order.

#### **C. REASONS FOR AND BENEFITS OF MASTER SALES AGREEMENT**

The Directors believe that to have a long-term customer such as Founder Order and other subsidiaries of Peking Founder can effectively enhance the Group's financial performance. The Directors also consider that the entering into the Master Sales Agreement is (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and its shareholders as a whole.

#### **D. LISTING RULES IMPLICATIONS FOR THE MASTER SALES AGREEMENT**

As one of the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules is 25% or more and the annual caps exceed HK\$10 million, the Master Sales Agreement and the transactions contemplated thereunder constitute non-exempt continuing connected transactions for the Company under Rules 14A.16(5) and 14A.17 of the Listing Rules and are subject to the annual review, reporting and announcement requirements under Rules 14A.37 to 14A.41, 14A.45 and 14A.47 of the Listing Rules. In addition, both the Master Sales Agreement and its annual caps are subject to the approval by the Independent Shareholders pursuant to Rules 14A.17 and 14A.52 of the Listing Rules.

The Master Sales Agreement and its annual caps will be subject to the approval by the Independent Shareholders by way of poll at the SGM. Peking Founder and its associates shall abstain from voting at the SGM in respect of the resolution to approve the Master Sales Agreement and its annual caps.

#### **SGM**

The SGM will be convened at which resolutions will be proposed to seek the Independent Shareholders' approval by way of poll in relation to (i) the Disposal; and (ii) the Master Sales Agreement and its annual caps. Peking Founder, being the controlling shareholder of the Company, together with its associates, and all parties involved in or interested in the Disposal and the Master Sales Agreement are required to abstain from voting with respect to the resolutions for approving the Disposal and the Master Sales Agreement and its annual caps.

## **GENERAL**

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr Li Fat Chung, Dr Hu Hung Lick, Henry and Ms Wong Lam Kit Yee, has been established to consider the terms of the Disposal Agreement and the Master Sales Agreement and its annual caps and to advise the Independent Shareholders as to whether the terms of the Disposal Agreement and the Master Sales Agreement and its annual caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and its shareholders as a whole. No member of the Independent Board Committee has any material interest in the Disposal Agreement and the Master Sales Agreement and its annual caps.

An independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal Agreement and the Master Sales Agreement and its annual caps.

A circular containing, among other things, (i) details of the Disposal Agreement, and the Master Sales Agreement and its annual caps; (ii) a letter of recommendations from the Independent Board Committee to the Independent Shareholders in respect of the Disposal Agreement, and the Master Sales Agreement and its annual caps; (iii) a letter of advice from the independent financial adviser of the Company to the Independent Board Committee and the Independent Shareholders in respect of the Disposal Agreement, and the Master Sales Agreement and its annual caps; (iv) a notice convening the SGM will be dispatched to the shareholders of the Company on or before 14 July 2010, being less than 15 business days from the day of this announcement, in accordance with the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context requires otherwise, the following terms shall have the meanings set out below:

“associates”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Business Day(s)”	means day(s) when banks are open for business in Hong Kong which includes Saturdays;
“Company”	Founder Holdings Limited (方正控股有限公司*), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
“Completion”	completion of the Disposal Agreement;

“Completion Date”	means the seventh Business Day after all Conditions Precedent are fulfilled or waived pursuant to the Agreement or such later date as the Purchaser and the Vendor may agree in writing;
“Conditions Precedent”	the conditions precedent to the Disposal as provided under the Agreement;
“Consideration”	the consideration under the Disposal Agreement, being HK\$47.5 million;
“Continuing Connected Transaction”	the transactions contemplated under the Master Sales Agreement;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Disposal”	means the disposal by Sparkling Idea and the purchase by Founder International of the entire equity interest in Founder Order pursuant to the Disposal Agreement;
“Disposal Agreement”	the conditional sale and purchase agreement entered into between Sparkling Idea and Founder International dated 24 June 2010 in relation to the Disposal;
“Founder International”	Founder International Co., Ltd. (方正國際軟件有限公司), a joint venture company established in the PRC and a 37.36% owned associate of Peking Founder;
“Founder Order”	北京方正奧德計算機系統有限公司(Beijing Founder Order Computer Systems Co. Ltd.*), a wholly foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of Sparkling Idea;
“Group”	the Company and its subsidiaries;
“HK\$”	means Hong Kong dollars;
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China;

“Independent Board Committee”	an independent board committee of the Company comprising all of the three independent non-executive Directors, namely Mr Li Fat Chung, Dr Hu Hung Lick, Henry and Ms Wong Lam Kit Yee formed for the purpose of considering the terms of the Disposal Agreement and the Master Sales Agreement and its annual caps and advising and making recommendations to the Independent Shareholders as to how to vote at the SGM;
“Independent Shareholders”	the shareholders of the Company other than Peking Founder and its associates;
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s) which, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, are third parties independent of and not connected with any director, chief executive or substantial Shareholders of the Company and its subsidiaries or any of their respective associates;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“Master Sales Agreement”	means the agreement to be entered between the Company and Peking Founder in relation to the sales of information products by the Group to the Peking Founder Group;
“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 liabilities, 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;

“SGM”	the special general meeting of the Company to be convened and held for the Independent Shareholders to consider and approve (among other things), if thought fit, the Disposal Agreement and the Disposal as contemplated under the Disposal Agreement and the Master Sales Agreement and its annual caps;
“Sparkling Idea”	Sparkling Idea Limited;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited; and
“subsidiary”	has the meaning ascribed to it under the Listing Rules.

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

Hong Kong, 24 June 2010

*As at the date of this announcement, the board of directors of the Company 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.*

\* *For identification purpose only*