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## **REVISED ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS**

### **SUPPLEMENTAL AGREEMENT**

Reference is made to the announcement of the Company dated 18 November 2008 and the circular of the Company dated 3 December 2008 in relation to the purchase of Products and Services by the Group from the Peking Founder Group. The Peking Founder Master Agreement, the transactions contemplated thereunder and the existing annual caps were approved by independent shareholders of the Company at the special general meeting of the Company held on 19 December 2008.

On 14 December 2010, the Company entered into the Supplemental Agreement with Peking Founder to revise the existing annual caps for the two years ending 31 December 2011 as the Directors consider that the existing annual caps as set out in the Peking Founder Master Agreement will not be sufficient for the increasing volume of business between the Group and the Peking Founder Group.

### **LISTING RULES REQUIREMENTS**

As the Company is owned as to approximately 32.49% by Peking Founder, Peking Founder is a connected person of the Company for the purposes of Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios of the Company calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Revised Annual Caps under the Supplemental Agreement is less than 5%, the entering into of the Supplemental Agreement is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules, and the Company will comply with the reporting, announcement and annual review requirements as set out in Chapter 14A of the Listing Rules.

## **PURCHASE OF PRODUCTS AND SERVICES BY THE GROUP FROM THE PEKING FOUNDER GROUP**

Reference is made to the announcement of the Company dated 18 November 2008 and the circular of the Company dated 3 December 2008 in relation to the purchase of Products and Services by the Group from the Peking Founder Group. The Peking Founder Master Agreement, the transactions contemplated thereunder and the existing annual caps were approved by independent shareholders of the Company at the special general meeting of the Company held on 19 December 2008.

The Group has been purchasing Products and Services from the Peking Founder Group on normal commercial terms in the ordinary and usual course of business pursuant to the Peking Founder Master Agreement.

As the Company is owned as to approximately 32.49% by Peking Founder, Peking Founder is a connected person of the Company for the purposes of Chapter 14A of the Listing Rules.

### **The Supplemental Agreement**

The Directors consider that the existing annual caps for the two years ending 31 December 2011 set out in the Peking Founder Master Agreement will not be sufficient for the increasing volume of business between the Peking Founder Group and the Group, as the level of demand from the Group has increased significantly since the fourth quarter of 2010 due to the Group's rapid growth in business, which has in turn led to an increase of purchase orders placed by the Group for Products and Services from the Peking Founder Group. Thus on 14 December 2010, the Company entered into the Supplemental Agreement with Peking Founder to revise the existing annual caps for the two years ending 31 December 2011, with immediate effect, in order to account for the increasing demand for the Group's products.

Save and except for the revision of the existing annual caps for the two years ending 31 December 2011, all other terms of the Peking Founder Master Agreement have remained the same.

### **Existing annual caps and Revised Annual Caps**

The following table sets out the existing annual caps and the Revised Annual Caps for the two years ending 31 December 2011:

	<b>Year ending 31 December 2010</b> <i>RMB' million</i>	<b>Year ending 31 December 2011</b> <i>RMB' million</i>
Existing annual caps	14	19
Revised Annual Caps	20	24

The Revised Annual Caps set out in the Supplemental Agreement are determined with reference to the following:

- (a) the historical transaction amounts for the year ended 31 December 2009;
- (b) the actual transaction amount of RMB12.6 million already incurred for the 10 months ended 31 October 2010; and
- (c) the current and anticipated future business needs of the Group's information technology business in the PRC.

The above is merely assumed for the purpose of determining the Revised Annual Caps and shall not be regarded as any indication directly or indirectly as to the Group's revenue, profitability or trading prospects. As at the date of this announcement, the existing annual cap for the year ending 2010 has not been exceeded.

### **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 the provision of systems integration services relating to the media and non-media industries including financial institutions, enterprises and government departments.

It is the Company's intention to further strengthen its capability in developing proprietary software products in the future in order to gain a 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 capabilities of Peking Founder Group for the time being, giving the Group a higher flexibility in terms of staff administration, headcount management, cost control and project management, so that the Group could maximise its profit margin.

As the Peking Founder Group has various business contacts with the Group and so is familiar with the Group's product and service specifications, it is able to respond quickly and in a cost effective manner to any new specifications that the Group may from time to time request.

The Board considers that the terms of the Supplemental Agreement were arrived at after arm's length negotiations between the parties involved. The Supplemental Agreement was entered into in the ordinary and usual course of business of the Group. The Directors (including the independent non-executive Directors) consider that the terms of the Supplemental Agreement, the transactions contemplated therein,

and the Revised Annual Caps set out in the Supplemental Agreement for the two years ending 31 December 2011 are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

As Mr Zhang Zhao Dong, Professor Xiao Jian Guo and Professor Wei Xin are all directors of Peking Founder, they have abstained from voting on the board resolutions concerning the Supplemental Agreement. Save as the Directors mentioned above, none of the Directors has material interest in the Supplemental Agreement.

## **LISTING RULES REQUIREMENTS**

The Company is owned as to approximately 32.49% by Peking Founder. Peking Founder is a connected person of the Company for the purposes of Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios of the Company calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Revised Annual Caps under the Supplemental Agreement is less than 5%, the entering into of the Supplemental Agreement is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules and the Company will comply with the reporting, announcement and annual review requirements as set out in Chapter 14A of the Listing Rules.

## **DEFINITIONS**

“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
“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”	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 Founder, which holds approximately 32.49% of the issued share capital of the Company
“Peking Founder Group”	Peking Founder and its subsidiaries

“Peking Founder Master Agreement”	the Peking Founder Master Agreement dated 15 December 2008 entered into between Peking Founder and the Company in relation to the provision of 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
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region and Taiwan for the purpose of this announcement
“Products and Services”	(1) software products; (2) hardware products; (3) system integration products; (4) software development services; (5) hardware development services; and (6) system integration development services
“Revised Annual Caps”	the revised annual caps as set out in the Supplemental Agreement for the two years ending 31 December 2011, which is to be RMB20 million and RMB24 million respectively
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement to the Peking Founder Master Agreement dated 14 December 2010 entered into between the Company and Peking Founder to revise the existing annual caps for the two years ending 31 December 2011
“%”	per cent.

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

Hong Kong, 14 December 2010

*As at the date of this announcement, the Board comprises the 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*