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**(1) DISCLOSEABLE AND CONNECTED TRANSACTION:  
THE PROPOSED DISPOSAL OF  
ENTIRE ISSUED SHARE CAPITAL OF  
FOUNDER APABI INTERNATIONAL LIMITED; AND**

**(2) CONTINUING CONNECTED TRANSACTIONS:  
THE MASTER PURCHASE AGREEMENT AND  
THE MASTER SALES AGREEMENT**

Financial adviser



**The Disposal**

On 16 October 2007, the S&P Agreement was entered into between Founder HK, as the Vendor and Founder Information, as the Purchaser pursuant to which the Vendor has agreed to dispose of, and the Purchaser has agreed to purchase the Sale Share, representing the entire issued share capital of Founder Apabi.

The Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. As at the date of this announcement, the Purchaser was owned as to 96.92% by Peking Founder, which in turn was interested in approximately 32.49% of the issued share of the Company. Therefore, the Purchaser is a connected person of the Company. As the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules exceed 2.5%, the Disposal also constitutes a non-exempt connected transaction for the Company under Chapter 14A of the Listing Rules. As such, the Disposal is subject to the approval by the Independent Shareholders at the SGM by poll.

A circular containing, among other things, details of the S&P Agreement, a letter from the Independent Board Committee to the Independent Shareholders in respect of the S&P Agreement, a letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the S&P Agreement and a notice convening the SGM, will be dispatched to the Shareholders as soon as practicable in accordance with the requirements of the Listing Rules.

\* For identification purpose only

## **The Continuing Connected Transactions**

After Completion, Founder Apabi will become an indirect 96.92% owned subsidiary of Peking Founder, a connected person of the Company. Therefore, the ongoing sales and purchases of media products and information products between the Group and the Peking Founder Group will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

It is proposed that the Master Sales Agreement and the Master Purchase Agreement will be entered into between Peking Founder and the Company in order to govern and specify the terms adopted and the annual cap for the total amount of the aforesaid ongoing transactions for the three years ending 31 December 2009. The term of each of the Master Sales Agreement and the Master Purchase Agreement will be from the date of execution after it is approved by the Independent Shareholders at the SGM until 31 December 2009.

As the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules exceed 2.5%, the entering into the Master Purchase 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 Purchase 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 Purchase 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 Purchase Agreement and its annual caps.

The Independent Board Committee will be established to advise the Independent Shareholders in respect of the Master Purchase Agreement and its annual caps. KGI Capital Asia Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in respect of the Master Purchase Agreement and its annual caps.

A circular containing, among other things, details of the Master Purchase Agreement, a letter from the Independent Board Committee to the Independent Shareholders in respect of the Master Purchase Agreement and its annual caps, a letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Master Purchase Agreement and its annual caps, and a notice convening the SGM, will be despatched to the Shareholders as soon as practicable in accordance with the requirements of the Listing Rules.

As the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules are less than 2.5%, the Master Sales Agreement and the transactions contemplated thereunder constitute exempt continuing connected transactions for the Company under Rules 14A.16(4) and 14A.34 of the Listing Rules and are only 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.

## **(I) THE DISPOSAL**

### **INTRODUCTION**

On 16 October 2007, the S&P Agreement was entered into between Founder HK, as the Vendor and Founder Information, as the Purchaser, pursuant to which the Vendor has agreed to dispose of, and the Purchaser has agreed to purchase the Sale Share, representing the entire issued share capital of Founder Apabi.

### **THE S&P AGREEMENT**

#### **Date:**

16 October 2007

#### **Parties:**

- (i) Founder HK, as the Vendor; and
- (ii) Founder Information, as the Purchaser.

The Vendor, a legal and beneficial owner of the Sale Share, is an investment holding company incorporated in Hong Kong with limited liability.

The Purchaser is a company incorporated in Hong Kong with limited liability and is owned as to 96.92% by Peking Founder, an investment holding company incorporated in the PRC with limited liability. Peking Founder was interested in approximately 32.49% of the issued share capital of the Company as at the date of this announcement.

#### **Sale Share:**

The Sale Share represents the entire issued share capital of Founder Apabi.

Subject to the terms and conditions of the S&P Agreement, the Vendor, has agreed to sell, and the Purchaser, has agreed to purchase, the Sale Share with effect from the Completion Date free from all claims, charges, liens, encumbrances, options, rights of pre-emption, defects, adverse interests and equities of any kind whatsoever but together with all rights attached, accrued or accruing thereto as at Completion and together with all dividends and distributions declared made or paid or agreed to be made or paid thereon or in respect thereof on or after the Completion Date.

#### **Consideration:**

The Consideration is HK\$27,200,000, which was determined at arm's length negotiations between the parties to the S&P Agreement. Pursuant to the S&P Agreement, the Consideration shall be paid on Completion by the Purchaser to the Vendor in cash.

The Consideration was based on the unaudited consolidated net assets value of the Founder Apabi Group of approximately HK\$27.1 million as at 30 June 2007.

**Conditions precedent:**

Completion is conditional upon the following conditions being fulfilled or waived:

- (i) the passing of a resolution by the Vendor as shareholder of Founder Apabi approving the Disposal and all other documents and transactions incidental to and as contemplated under the S&P Agreement;
- (ii) the passing of a resolution of the board of directors of the Company approving the Disposal and all other documents and transactions incidental to and as contemplated under the S&P Agreement;
- (iii) the passing of a resolution of the board of directors of the Purchaser approving the Disposal and all other documents and transactions incidental to and as contemplated under the S&P Agreement;
- (iv) the passing of a resolution of the board of directors of the Vendor approving the Disposal and all other documents and transactions incidental to and as contemplated under the S&P Agreement;
- (v) the settlement in full of all liabilities (including but not limited to, the current account and any outstanding liabilities (trade or non-trade)) due from Founder Apabi to the Group as at 31 October 2007; and
- (vi) to the extent required by the Listing Rules, the passing of an ordinary resolution by the Independent Shareholders (who shall have no interest in the S&P Agreement) at the SGM by poll, approving the transactions contemplated under (i) the S&P Agreement; and (ii) the Master Purchase Agreement and the Master Sales Agreement pursuant to the requirements of the Listing Rules.

The Vendor and the Purchaser shall use all reasonable endeavors to procure the satisfaction of the conditions precedent to the S&P Agreement. The Vendor and the Purchaser may together at any time waive in writing any of the conditions precedent (except item (vi) above) to the S&P Agreement.

In the event that not all the conditions precedent to the S&P Agreement have been fulfilled or waived as aforesaid on or before 14 December 2007 (or such later date as the Vendor and the Purchaser may agree in writing), the S&P Agreement shall lapse and be of no further effect and no party to the S&P Agreement shall have any claim against, or liability or obligation (save for antecedent breaches of the S&P Agreement) to the other party.

**Completion:**

Subject to fulfillment or waiver (if applicable) of the conditions precedent to the S&P Agreement, Completion shall take place on the Completion Date.

## INFORMATION ON FOUNDER APABI AND THE PURCHASER

### Founder Apabi

Being an indirect wholly-owned subsidiary of the Company, Founder Apabi is a company incorporated in March 2006 in the British Virgin Islands with limited liability and is an investment holding company. Founder Apabi is the registered and beneficial owner of 100% of the equity interest in Beijing Founder Apabi Technology Co., Ltd. (北京方正阿帕比技術有限公司), which is principally engaged in sales and manufacture of computers and related hardwares and software development.

Set out below is a summary of the consolidated results of Founder Apabi and its subsidiaries for the year ended 31 December 2006 and the six months ended 30 June 2007, prepared under the Hong Kong Financial Reporting Standards, which is consistent with the accounting policies adopted by the Group:

	<b>For the six months ended</b> <b>30 June 2007</b> <i>(Unaudited)</i> <i>HK\$'000</i>	<b>Year ended</b> <b>31 December 2006</b> <i>(Audited)</i> <i>HK\$'000</i>
Loss before taxation	22,545	12,611
Loss after taxation	22,545	12,611

Founder Apabi commenced business since July 2006. The unaudited consolidated net assets value of the Founder Apabi Group amounted to approximately HK\$27.1 million as at 30 June 2007.

### *The Purchaser*

The Purchaser is a company incorporated in Hong Kong with limited liability and was owned as to 96.92% by Peking Founder as at the date of this announcement. Peking Founder was interested in approximately 32.49% of the issued share capital of the Company as at the date of this announcement. The Peking Founder Group are principally engaged in the provision of electronic publishing system, computer hardwares and softwares, communication equipment, office automation equipment and other related businesses.

## REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in software development and systems integration relating to the media industry and non-media industries related to financial institutions, enterprises and government departments.

Since the inception of business of Founder Apabi in April 2006, the Group has continuously made investments, in terms of resources and management time, for the development of the business of the Founder Apabi Group. However, the Board has noted that the financial and operating results of the Founder Apabi Group were unsatisfactory, as illustrated by the audited consolidated net loss after taxation of approximately HK\$12.6 million for the year ended 31 December 2006, and the unaudited consolidated net loss after taxation of approximately HK\$22.5 million for the six months ended 30 June 2007.

The Board considers that the Disposal provides the Group an opportunity to streamline its business model and thus enhance its profitability by the disposal of a loss-making business. In addition, the Group is not required to provide additional resources for the ongoing development of Founder Apabi Group after Completion, which resources can be used for the remaining businesses of the Group.

As a result of Completion, the Directors expect that the Group would record an unaudited gain on disposal of approximately HK\$8.4 million. Given that the Consideration is based on the consolidated net assets value of the Founder Apabi Group as at 30 June 2007, any operation loss of the Founder Apabi Group after 30 June 2007 will give rise to gain on disposal of the Group. The gain on disposal is calculated by taking into account the unaudited loss of Founder Apabi Group for the three months ended 30 September 2007 and the estimated professional expenses in connection with the Disposal. The sales proceeds will be used for general working capital purposes.

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

In view of the above and having considered the terms of the S&P Agreement, the Directors are of the view that the entering into of the S&P Agreement are (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 Group and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

The Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Since the Purchaser was owned as to 96.92% by Peking Founder at the date of this announcement, which in turn is a controlling Shareholder, therefore, the Purchaser is a connected person of the Company. As the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules exceed 2.5%, the Disposal also constitutes a non-exempt connected transaction under Chapter 14A of the Listing Rules. As such, the Disposal is subject to the approval by the Independent Shareholders at the SGM by poll.

A circular containing, among other things, further details of the S&P Agreement, a letter from the Independent Board Committee to the Independent Shareholders in respect of the S&P Agreement, a letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the S&P Agreement, and a notice convening the SGM, will be dispatched to the Shareholders as soon as practicable in accordance with the requirements of the Listing Rules.

## **(II) CONTINUING CONNECTED TRANSACTIONS**

### **INTRODUCTION**

The Directors noted that (i) the Founder Apabi Group has been supplying media products (including but not limited to softwares and hardwares in relation to media parts as well as system integration products like electronic library, electronic correspondence, electronic books and electronic stamps) to the Group on normal commercial terms; and (ii) the Group has been supplying information products (including but not limited to desktop computers, laptop computers, servers and internet products) to the Founder Apabi Group on normal commercial terms.

After Completion, Founder Apabi will become an indirect 96.92% owned subsidiary of Peking Founder, a connected person of the Company. Therefore, the ongoing sales and purchases of media products and information products between the Group and the Founder Apabi Group will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

In light of the above, the Master Sales Agreement and the Master Purchase Agreement will be entered into between Peking Founder and the Company in order to govern and specify the terms adopted and the annual cap for the total amount of the aforesaid ongoing transactions for the three years ending 31 December 2009. The term of each of the Master Sales Agreement and the Master Purchase Agreement will be from the date of execution after it is approved by the Independent Shareholders at the SGM until 31 December 2009.

## THE MASTER SALES AGREEMENT AND THE MASTER PURCHASE AGREEMENT

Pursuant to the Master Sales Agreement, the Company should provide information products at terms determined at the relevant time: (i) with reference to the prices and credit terms at which such products are supplied, on normal commercial terms in its ordinary and usual course of business, and should be no more favourable than those, 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 such products are supplied, on normal commercial terms in its ordinary and usual course of business, and should be no more favourable than those, 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 that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

Pursuant to the Master Purchase Agreement, the Peking Founder should provide media products at terms determined at the relevant time: (i) with reference to the prices and credit terms at which such products are supplied, on normal commercial terms in its ordinary and usual course of business, and should be no less favourable than those, 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 such products are supplied, on normal commercial terms in its ordinary and usual course of business, and should be no less favourable than those, 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 that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

### Historical values and annual caps:

	Year ended 31 December 2006 RMB'000	Six months ended 30 June 2007 RMB'000	Year ending 31 December 2007 RMB'000	Year ending 31 December 2008 RMB'000	Year ending 31 December 2009 RMB'000
<b>The Group's sales to Peking Founder</b>					
Actual amount	67	226	N/A	N/A	N/A
Annual cap for the Master Sales Agreement	N/A	N/A	1,000	1,600	1,760
<b>Peking Founder's sales to the Group</b>					
Actual amount	2,247	1,843	N/A	N/A	N/A
Annual cap for the Master Purchase Agreement	N/A	N/A	14,000	37,000	40,700

Founder Apabi has been purchasing information products from the Company for use in its operation and business. As demonstrated in the above table, the sales amount of the Company's products to Founder Apabi is experiencing a steady growth.

The Company has been purchasing media products from Founder Apabi for use in its electronic publishing business and system integration projects. The level of purchase orders placed by the Company is estimated to grow steadily as the demand for media products for the Company's business is experiencing a steady growth.

The transactions between Founder Apabi and the Company commenced since July 2006 and thus have a relatively short historical record. The Directors expect a growth in the transactions in the coming years, and are of the view that the transaction volume in the forthcoming years will experience a substantial increase compared with historical figures. The annual caps for the years ending 31 December 2008 and 2009 are based on the Company's expansion plan of operations and business development.

## **REASONS FOR AND BENEFITS OF MASTER SALES AGREEMENT AND MASTER PURCHASE AGREEMENT**

The Directors believe that it is crucial to maintain the stability in supply and quality of media products for the existing and future purchasing needs of the Group. In view of the past purchasing experience, the Directors are of the view that the Founder Apabi Group can effectively fulfill the Company's high requirement in supply stability and product quality. Hence, maintaining a stable trading relationship with the Founder Apabi Group through the entering into of the Mater Purchase Agreement is of immense importance to the Group's day-to-day operations. The Directors confirm that the prices and terms provided by Peking Founder will be no less favourable to the Group than those offered by suppliers being independent third parties to the Group.

On the other hand, the Directors are of the view that to have a long-term customer such as Founder Apabi Group and any other subsidiaries of Peking Founder for its information products can effectively enhance the Group's financial performance.

The Directors consider that the entering into of each of the Master Sales Agreement and the Master Purchase 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 Group and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

### **The Master Purchase Agreement**

As the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules exceed 2.5%, the Master Purchase 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 Purchase 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 Purchase 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 Purchase Agreement and its annual caps.

The Independent Board Committee will be established to advise the Independent Shareholders in respect of the Master Purchase Agreement and its annual caps. KGI Capital Asia Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in respect of the Master Purchase Agreement and its annual caps.

A circular containing, among other things, details of the Master Purchase Agreement, a letter from the Independent Board Committee to the Independent Shareholders in respect of the Master Purchase Agreement and its annual caps, a letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Master Purchase Agreement and its annual caps, and a notice convening the SGM, will be despatched to the Shareholders as soon as practicable in accordance with the requirements of the Listing Rules.

### **The Master Sales Agreement**

As the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules are less than 2.5%, the Master Sales Agreement and the transactions contemplated thereunder constitute exempt continuing connected transactions for the Company under Rules 14A.16(4) and 14A.34 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.

### **DEFINITIONS**

“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	Founder Holdings Limited, a company incorporated in Bermuda with limited liability and the issued shares of which (stock code: 0418) are listed on the Main Board of the Stock Exchange
“Completion”	completion of the S&P Agreement
“Completion Date”	the date on which Completion shall take place, being the tenth business day after all the conditions precedent to the S&P Agreement have been satisfied or waived (as the case may be) or such other date as the parties to the S&P Agreement may agree in writing
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration under the S&P Agreement, being HK\$27,200,000
“Continuing Connected Transactions”	the transactions contemplated under each of the Master Purchase Agreement and the Master Sales Agreement
“Director(s)”	director(s) of the Company
“Disposal”	the S&P Agreement and the transactions contemplated thereunder
“Founder Apabi”	Founder Apabi International Limited, a company incorporated in British Virgins Islands with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Founder Apabi Group”	Founder Apabi and its subsidiaries

“Founder HK” or “Vendor”	Founder (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Founder Information” or “Purchaser”	Founder Information (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, which was owned as to 96.92% by Peking Founder as at the date of this announcement
“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
“Independent Board Committee”	an independent committee of the Board to be established for the purpose of advising the Independent Shareholders in relation to the terms of (i) the S&P Agreement; and (ii) the Master Purchase Agreement
“Independent Shareholders”	Shareholders other than Peking Founder and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Purchase Agreement”	the master purchase agreement to be entered into between Peking Founder and the Company in relation to the purchase of media products by the Group from the Peking Founder Group
“Master Sales Agreement”	the master sales agreement to be entered into between the Company and Peking Founder in relation to the sales of information products by the Group to the Peking Founder Group
“Peking Founder”	Peking University Founder Group Company Limited (北大方正集團有限公司), a company incorporated in the PRC with limited liability, the controlling Shareholder, which was 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 subsidiaries
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“S&P Agreement”	the conditional agreement dated 16 October 2007 entered into between the Vendor and the Purchaser in relation to the sale and purchase of the entire issued share capital of Founder Apabi
“Sale Share”	the ordinary share of US\$1.00 in the share capital of Founder Apabi, representing the entire issued share capital of Founder Apabi

“SGM”	the special general meeting to be convened by the Company to consider and, if thought fit, to approve, among other things, (i) the S&P Agreement; and (ii) the Master Purchase Agreement and the transactions contemplated thereunder
“Shareholder(s)”	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
“%”	per cent.

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

Hong Kong, 16 October 2007

*If there is any inconsistency between the Chinese names of the PRC entities mentioned in this announcement and their English translations, the Chinese version shall prevail.*

*As at the date of this announcement, the Board of the Company 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.*