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*(Incorporated in Bermuda with limited liability)*

(Stock Code: 00618)

## **CONTINUING CONNECTED TRANSACTIONS**

### **Leasing of office premises and revision to annual cap**

The Group has been leasing office premises in Beijing, the PRC from Peking Founder Group on normal commercial terms. The Board refers to the Joint Announcement and the Century Lease Agreement which will expire on 31 December 2008. The terms of the Century Lease Agreement was supplemented by the Supplemental Agreement in August 2007 as a result of the increase in total floor area for the office premises whereby the annual cap for the Century Lease Agreement for the year of 2007 was exceeded and it is expected that the annual cap for 2008 will also be exceeded.

### **Leasing of new office premises**

The Group entered into the New Century Lease Agreement on 31 July 2007 in relation to leasing of certain office premises which expired on 31 December 2007. The New Century Lease Agreement was renewed on 12 May 2008 for a term of one year from 1 January 2008 to 31 December 2008 under the same terms and conditions. The annual cap for the New Century Lease Agreement is the annual sum of the rental and the management fee payable by PRC Century.

### **Sales of Information hardware products**

The Board refers to the Joint Announcement and the Peking Founder Master Agreement which will expire on 31 December 2008. The Group has been supplying information hardware products to the Peking Founder Group on normal commercial terms pursuant to the Peking Founder Master Agreement entered into between the Company and Peking Founder. The Peking Founder Master Agreement and its annual caps for the three years ending 31 December 2008 were approved by the independent shareholders of the Company under Chapter 14A of the Listing Rules in January 2006.

It has come to the Company's attention during the course of the verification of the financial statements for the year ended 31 December 2007 that the cap for 2007 was exceeded and it is expected that the annual cap for 2008 will also be exceeded.

Owing to the booming of stock market in the PRC in 2007, the Group has been supplying a significant number of information hardware products to Founder Securities to enhance Founder Securities hardware capability and capacity under the Peking Founder Master Agreement during 2007. In addition, as a result of the continuous growth in business between the Group and Peking Founder Group, the Directors consider that the existing cap for the Peking Founder Master Agreement will not be sufficient for the increasing volume of business between the Group and Peking Founder Group for the whole year of 2008. Accordingly, the Company proposes to revise the existing cap for the Peking Founder Master Agreement.

### **Continuing connected transactions**

The Company is owned as to approximately 32.84% by Founder which in turn is owned as to approximately 32.49% by Peking Founder. Founder is a connected person of the Company for the purposes of the Listing Rules. Peking Founder is an associate of a connected person of the Company for the purposes of the Listing Rules.

Accordingly, the transactions under (i) the Century Lease Agreement, as supplemented by the Supplemental Agreement; (ii) the New Century Lease Agreement; (iii) the renewal of the New Century Lease Agreement; and (iv) the Peking Founder Master Agreement constitute continuing connected transactions for the Company pursuant to the Listing Rules.

During the course of the verification of the financial statements for the year ended 31 December 2007, it has come to the Company's attention that the Supplemental Agreement and the New Century Lease Agreement was entered into on 20 August 2007 and 31 July 2007, respectively. Since the Century Lease Agreement as supplemented by the Supplemental Agreement exceeded its cap amount for the year of 2007 and each of the applicable percentage ratios (having taken into account of all relevant lease agreements between the Group and Peking Founder Group) was more than 0.1% but less than 2.5%, the Company should have complied with the announcement requirements but was exempt from independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

Owing to the staff turnover in the Company's Beijing office, monthly report for connected transactions had not been reported to the Company on a timely basis. Hence, the Company failed to comply with the announcement requirements under Chapter 14A of the Listing Rules in respect of the Century Lease Agreement as supplemented by the Supplemental Agreement and the New Century Lease Agreement on a timely basis. The Company has also failed to comply with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules when the annual cap was exceeded in 2007 in respect of the Peking Founder Master Agreement.

The Company has conducted a comprehensive review on all continuing connected transactions and has been monitoring the caps of the relevant continuing connected transactions. Staff training will be conducted for relevant personnel in the Company's Beijing office. The Company is satisfied that proper internal control system has been in place for due compliance with the Listing Rules. Details of (i) the Century Lease Agreement, as supplemented by the Supplemental Agreement; (ii) the New Century Lease Agreement; and (iii) the Peking Founder Master Agreement have also been properly disclosed in the Company's 2007 annual report according to the Listing Rules.

Renewal of the New Century Lease Agreement will have to comply with the requirements set out in Rule 14A.35(1) of the Listing Rules and annual caps will have to be set for the transactions under (i) the Century Lease Agreement, as supplemented by the Supplemental Agreement; and (ii) the New Century Lease Agreement; pursuant to Rule 14A.35(2) of the Listing Rules. Since each of the applicable percentage ratios in respect of the aggregate annual amount of rental payable under the Century Lease Agreement, as supplemented by the Supplemental Agreement and the New Century Lease Agreement is less than 2.5%, the Company is required to comply with the reporting and announcement requirements, but is exempt from independent Shareholders' approval under Chapter 14A of the Listing Rules.

As the proposed revised cap for the Peking Founder Master Agreement exceeds 2.5% of the relevant applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules, the transactions contemplated under the Peking Founder Master Agreement shall be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **General**

The independent board committee will be established to advise the independent shareholders in connection with the terms of the Peking Founder Master Agreement (including the proposed revised cap). The Company will appoint an independent financial adviser to advise the independent board committee in this regard. The Company will dispatch to its shareholders a circular containing further details of the Peking Founder Master Agreement, letters from its independent board committee and the independent financial adviser, and a notice convening a special general meeting of the Company as soon as possible.

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

## **LEASING OF OFFICE PREMISES**

The Group has been leasing office premises in Beijing, the PRC from Peking Founder Group on normal commercial terms. The Board refers to the Joint Announcement and the Century Lease Agreement which will expire on 31 December 2008. The terms of the Century Lease Agreement was supplemented by the Supplemental Agreement in August 2007 as a result of increase in total floor area for the office premises whereby the annual cap for the Century Lease Agreement for the year of 2007 was exceeded and it is expected that the annual cap for the year of 2008 will also be exceeded.

The Group entered into the New Century Lease Agreement on 31 July 2007 in relation to the leasing of certain office premises which expired on 31 December 2007. The New Century Lease Agreement was renewed on 12 May 2008 for a term of one year from 1 January 2008 to 31 December 2008 under the same terms and conditions.

### **Principal terms of the Century Lease Agreement, as supplemented by the Supplemental Agreement, and the New Century Lease Agreement**

The principal terms of the Century Lease Agreement, as supplemented by the Supplemental Agreement, are as follows:

- |   |   |
|---|---|
| Date:   | 5 January 2006 and supplemented on 20 August 2007   |
| Lessor:                                       | Fangcheng, a subsidiary of Peking Founder   |
| Lessee:                                       | PRC Century, a wholly-owned subsidiary of EC-Founder  |
| Property leased:                              | 1st and 2nd floors of Founder Building (方正樓) at No. 204, Chengfu Road, Haidian District, Beijing, the PRC |
| Area:   | Approximately 1,800 sq. m. (from 1 January 2006 to 31 December 2006)                                      |
| Revised Area:                                 | Approximately 2,400 sq. m. (from 1 January 2007 to 31 December 2008)                                      |
| Unit rental<br>(inclusive of management fee): | RMB2.75 per sq. m. per day  |
| Annual rental and management fee:             | RMB 1,806,750 (equivalent to approximately HK\$1,855,803)   |

Revised annual rental and management fee: RMB2,409,000 (equivalent to approximately HK\$2,474,404)

Lease term: From 1 January 2006 to 31 December 2008

The rental and management fees are payable in cash quarterly in arrears. The lessee will have to give at least two months written notice before the expiry of the agreements to the lessor in order to continue to lease the relevant premises from the lessor.

The lessee will not be required to pay deposits under the leases. The lessor will have the right to terminate the leases if the lessee fails to comply with the terms and conditions of the agreements.

The principal terms of the New Century Lease Agreement are as follows:

2. Date: 31 July 2007
- Lessor: Fangcheng, a subsidiary of Peking Founder
- Lessee: PRC Century, a wholly-owned subsidiary of EC-Founder
- Property leased: The northern portion on the 6th Floor of Zhongguancun Founder Building (中關村方正大廈) at No. 298, Chengfu Road, Haidian District, Beijing, the PRC
- Area: Approximately 1192.62 sq. m.
- Unit rental (inclusive of management fee): RMB3.79 per sq. m. per day
- Annual rental and management fee: RMB1,649,810.88 (equivalent to approximately HK\$1,694,603)
- Lease term: From 1 January 2007 to 31 December 2007

The rental and management fees are payable in cash quarterly in advance. The lessee will have to give at least two months written notice before the expiry of the agreements to the lessor in order to continue to lease the relevant premises from the lessor.

The lessee will be required to pay deposits under the leases. The lessor will have the right to terminate the leases if the lessee fails to comply with the terms and conditions of the agreements.

#### **Revised cap for the Century Lease Agreement, as supplemented by the Supplemental Agreement**

The total floor area occupied by the Group in Beijing, the PRC under the Century Lease Agreement, supplemented by the Supplemental Agreement, is approximately 2,400 sq. m. with an aggregate annual rental and management fee payable of approximately RMB2.4 million (equivalent to approximately HK\$2.47 million). The annual rental and management fee payable under the Century Lease Agreement, as supplemented by the Supplemental Agreement, exceeded the relevant annual cap for the year ended 31 December 2007 and is expected to exceed that of the year ending 31 December 2008.

The actual rental amount and the revised cap for the Century Lease Agreement, as supplemented by the Supplemental Agreement, for the two years ended 31 December 2007 and the year ending 31 December 2008 are set out below:

	<b>For the year ended 31 December 2006 (RMB)</b>	<b>For the year ended 31 December 2007 (RMB)</b>	<b>For the year ending 31 December 2008 (RMB)</b>
Original caps	1,806,750	1,806,750	1,806,750
Actual rental amount	1,806,750	2,409,000	803,000 (1 January to 30 April 2008)
Revised cap	N/A	N/A	2,409,000

The revised cap shall be the amount of the annual rental and management fee as stated in the Century Lease Agreement, as supplemented by the Supplemental Agreement.

Since the annual cap for 2007 was exceeded, the Company has decided to withhold paying the rental to Peking Founder since January 2008 until full disclosure of the revised cap for 2008 has been made by this announcement.

#### **Annual cap for the New Century Lease Agreement**

The total floor area occupied by the Group in Beijing, the PRC under the New Century Lease Agreement is approximately 1,192.62 sq. m. with an aggregate annual rental and management fee payable of approximately RMB1.65 million (equivalent to approximately HK\$1.69 million).

On 12 May 2008, the Board renewed the New Century Lease Agreement under the same terms and conditions for a term of one year from 1 January 2008 to 31 December 2008.

The actual rental amount and the annual cap for the New Century Lease Agreement for the two years ended 31 December 2007 and the year ending 31 December 2008 are set out below:

	<b>For the year ended 31 December 2006 (RMB)</b>	<b>For the year ended 31 December 2007 (RMB)</b>	<b>For the year ending 31 December 2008 (RMB)</b>
Actual rental amount	N/A	1,649,811	549,937 (1 January to 30 April 2008)
Annual cap	N/A	N/A	1,649,811

The annual cap shall be the amount of the annual rental and management fee as stated in the New Century Lease Agreement.

The Company has withheld paying the rental to Peking Founder since January 2008 until full disclosure of the New Century Lease Agreement has been made in this announcement.

#### **Reasons for and benefits of the Century Lease Agreement and the New Century Lease Agreement**

The Group has been leasing certain premises at Zhongguancun Founder Building (中關村方正大廈) and Founder Building (方正樓) from Peking Founder Group as offices. The Board considers it necessary to continue to lease office premises in Beijing, the PRC occupying floor areas which are considered to be adequate for its daily operations. The Board also considers that the current centralised office locations in Beijing, the PRC enable effective and efficient inter-office communication, thus enhancing operational efficiency and reducing operating costs in the long run. PRC Century is principally engaged in the distribution of hardware information products business whereas Fangcheng is principally engaged in property management business.

The Board considers that the terms of the Century Lease Agreement, as supplemented by the Supplemental Agreement, and the New Century Lease Agreement were 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 (including the independent non-executive Directors) consider that the transactions under the Century Lease Agreement, as supplemented by the Supplemental Agreement, and the New Century Lease Agreement were entered into on normal commercial terms in the ordinary and usual course of business of the Company that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **SALES OF INFORMATION HARDWARE PRODUCTS**

The Board refers to the Joint Announcement and the Peking Founder Master Agreement which will expire on 31 December 2008. The Group has been supplying information hardware products to the Peking Founder Group on normal commercial terms pursuant to the Peking Founder Master Agreement entered into between the Company and Peking Founder. The Peking Founder Master Agreement and its annual caps for the three years ending 31 December 2008 were approved by the independent shareholders of the Company under Chapter 14A of the Listing Rules in January 2006.

Pursuant to the Peking Founder Master Agreement, the Group should provide information hardware 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, 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 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 that are fair and reasonable and in the interests of the shareholders of the Group as a whole.

### **Reason for exceeding the annual caps**

Owing to the booming of stock market in the PRC in 2007, the Group has been supplying a significant number of information hardware products to Founder Securities to enhance Founder Securities hardware capability and capacity under the Peking Founder Master Agreement during 2007. The cap for the year ended 31 December 2007 was exceeded in August 2007. In addition, as a result of the continuous growth in business between the Group and Peking Founder Group (in particular, Peking Founder Group has acquired another securities trading company in May 2007), the Directors consider that the existing cap for the Peking Founder Master Agreement will not be sufficient for the increasing volume of business between the Group and Peking Founder Group for the whole year of 2008. Accordingly, the Company proposes to revise the existing cap for the Peking Founder Master Agreement. The Directors confirm that the sales under the Peking Founder Sales for the financial year ended 31 December 2007 constitute a breach under 14A.36(1) of the Listing Rules because the Company failed to comply with the announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules when the cap was exceeded.

### **Increase of the annual caps for the financial years ending 31 December 2007 and 2008**

Given the increase in sales volume and in order to cater for further increase in 2008, the Board proposes to increase the annual cap for the Peking Founder Sales as stipulated by the Peking Founder Master Agreement for the financial year ending 31 December 2008 by reference to the actual sales volume for the year ended 31 December 2007 and the projected sales volume for the year ending 31 December 2008.

The actual sales for the Peking Founder Sales for the two years ended 31 December 2007 and the revised cap for the year ending 31 December 2008 are set out below:

	<b>For the year ended 31 December 2006 (RMB million)</b>	<b>For the year ended 31 December 2007 (RMB million)</b>	<b>For the year ending 31 December 2008 (RMB million)</b>
Original caps	10.0	11.1	12.1
Actual transaction amount	1.96	22.6	3.08 (1 January to 30 April 2008)
Revised cap	N/A	N/A	45.2

### **Reason for and benefits of the Peking Founder Sales**

The Group is principally engaged in the distribution of information hardware products in the PRC. The Peking Founder Group is principally engaged in software development, hardware manufacture, medical, finance and traditional industry.

One of the businesses engaged by the Peking Founder Group is the provision of software solutions and services. The Peking Founder Group has been purchasing information hardware products for its customers in order to establish computer systems, and provide software solutions to its clients. The Board considers that it is beneficial to the Group to supply information hardware products to the Peking Founder Group on normal commercial terms, thus broadening its customer and revenue base.

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 transactions under 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 Group and its shareholders as a whole and that the revised annual cap for the Peking Founder Sales is fair and reasonable.

### **CONTINUING CONNECTED TRANSACTIONS**

The Company is owned as to approximately 32.84% by Founder which in turn is owned as to approximately 32.49% by Peking Founder. Founder is a connected person of the Company for the purposes of the Listing Rules. Peking Founder is an associate of a connected person of the Company for the purposes of the Listing Rules.

Accordingly, the transactions under (i) the Century Lease Agreement, as supplemented by the Supplemental Agreement; (ii) the New Century Lease Agreement; (iii) the renewal of the New Century Lease Agreement; and (iv) the Peking Founder Master Agreement constitute continuing connected transactions for the Company pursuant to the Listing Rules.

During the course of the verification of the financial statements for the year ended 31 December 2007, it has come to the Company's attention that the Supplemental Agreement and the New Century Lease Agreement was entered into on 20 August 2007 and 31 July 2007, respectively. Since the Century Lease Agreement as supplemented by the Supplemental Agreement exceeded its cap amount for the year of 2007 and each of the applicable percentage ratios (having taken into account of all relevant lease agreements between the Group and Peking Founder Group) was more than 0.1% but less than 2.5%, the Company should have complied with the announcement requirements but was exempt from independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

Owing to the staff turnover in the Company's Beijing office, monthly report for connected transactions had not been reported to the Company on a timely basis. Hence, the Company failed to comply with the announcement requirements under Chapter 14A of the Listing Rules in respect of the Century Lease Agreement as supplemented by the Supplemental Agreement and the New Century Lease Agreement on a timely basis. The Company has also failed to comply with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules when the annual cap was exceeded in 2007 in respect of the Peking Founder Master Agreement.

The Company has conducted a comprehensive review on all continuing connected transactions and has been monitoring the caps of the relevant continuing connected transactions. Staff training will be conducted for relevant personnel in the Company's Beijing office. The Company is satisfied that proper internal control has been in place for due compliance with the Listing Rules. Details of (i) the Century Lease Agreement, as supplemented by the Supplemental Agreement; (ii) the New Century Lease Agreement; and (iii) the Peking Founder Master Agreement have also been properly disclosed in the Company's 2007 annual report according to the Listing Rules.

Renewal of the New Century Lease Agreement will have to comply with the requirements set out in Rule 14A.35(1) of the Listing Rules and annual caps will have to be set for the transactions under (i) the Century Lease Agreement, as supplemented by the Supplemental Agreement; and (ii) the New Century Lease Agreement; pursuant to Rule 14A.35(2) of the Listing Rules. Since each of the applicable percentage ratios in respect of the aggregate annual amount of rental payable under the Century Lease Agreement, as supplemented by the Supplemental Agreement and the New Century Lease Agreement is less than 2.5%, the Company is required to comply with the reporting and announcement requirements, but is exempt from independent Shareholders' approval under Chapter 14A of the Listing Rules.

As the proposed revised cap for the Peking Founder Master Agreement exceeds 2.5% of the relevant applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules, the transactions contemplated under the Peking Founder Master Agreement shall be subject to the reporting, announcement and independent shareholders' approval requirements.

## **GENERAL**

The independent board committee will be established to advise the independent shareholders in connection with the terms of the Peking Founder Master Agreement (including the proposed revised cap). The Company will appoint an independent financial adviser to advise the independent board committee in this regard. The Company will dispatch to its shareholders a circular containing further details of the Peking Founder Master Agreement, letters from its independent board committee and the independent financial adviser, and a notice convening a special general meeting of the Company as soon as possible.

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

The Board comprises executive directors of Mr Zhang Zhao Dong (Chairman), Mr Chen Geng (President), Mr Xia Yang Jun, Mr Xie Ke Hai and Mr Zheng Fu Shuang, and the independent non-executive directors of Mr Li Fat Chung, Ms Wong Lam Kit Yee and Ms Cao Qian.



## DEFINITIONS

"associate(s)"	has the meaning as ascribed to it in the Listing Rules
" Board"	the board of Directors
"Century Lease Agreement"	the lease agreement entered into on 5 January 2006 between PRC Century (as lessee), Fangcheng (as agent of Peking Founder) and Peking Founder (as lessor) for certain premises in Beijing, the PRC
"Company"	EC-Founder (Holdings) Company Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange, and as to approximately 32.84% owned by Founder
"Directors"	the directors of the Company
"Fangcheng"	北京方誠物業經營管理有限公司(Beijing Fangcheng Property Operation Management Co., Ltd.*), a company established in the PRC and a subsidiary of Peking Founder
"Founder"	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
"Founder Securities"	方正證券有限責任公司(Founder Securities Co., Ltd.*), a company incorporated in the PRC with limited liability and directly owned as to approximately 38.06% by Peking Founder
"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
"Joint Announcement"	the Joint Announcement made by Founder and the Company dated 21 November 2005 in relation to, among others, the Century Lease Agreement and the Peking Founder Master Agreement, both of them will expire on 31 December 2008
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"New Century Lease Agreement"	the lease agreement entered into on 31 July 2007 between PRC Century (as lessee), Fangcheng (as agent of Peking Founder) for certain premises in Beijing, the PRC
"Peking Founder"	Peking University Founder Group Company Limited (北大方正集團有限公司), the controlling shareholder of Founder, which holds approximately 32.49% of the issued share capital of Founder
"Peking Founder Group"	Peking Founder and its subsidiaries

"Peking Founder Master Agreement"	the master agreement entered into between Peking Founder and the Company in relation to the sales of information hardware products to the Peking Founder Group by the Group dated 5 January 2006
"Peking Founder Sales"	the transactions contemplated under the Peking Founder Master Agreement in relation to the sales of information hardware products to the Peking Founder Group by the Group
"PRC"	the People's Republic of China excluding Hong Kong, the Macau Special Administrative Region and Taiwan for the purpose of this announcement
"PRC Century"	北京方正世紀信息系統有限公司(Beijing Founder Century Information System Co., Ltd.*), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"sq. m"	square metre
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Agreement"	the supplemental agreement entered into on 20 August 2007 between, inter alia, PRC Century (as lessee), Fangcheng (as agent of Peking Founder) for certain premises in Beijing, the PRC

*For illustrative purposes only, RMB is converted into HK\$ at an exchange rate of HK\$1.00 = RMB1.02715 in this announcement.*

By Order of the Board  
**EC-Founder (Holdings) Company Limited**  
**Zhang Zhao Dong**  
*Chairman*

Hong Kong, 13 May 2008

*\* For identification purposes only*