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*(Incorporated in Bermuda with limited liability)*

(Stock Code: 00618)

## **FOUR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS AND TWO EXEMPT CONTINUING CONNECTED TRANSACTIONS**

Reference is made to (i) the 2006 January SGM in relation to the Founder Master Agreement and the Peking Founder Master Agreement; (ii) the 2006 December SGM in relation to the First Supplemental Agreement; (iii) the 2008 June SGM in relation to the revision of annual cap for the year 2008 of the Peking Founder Master Agreement; and (iv) the 2008 May Announcement in relation to, among others, the Century Lease Agreement and the New Century Lease Agreement. As the Century Lease Agreement, the New Century Lease Agreement, the Founder Master Agreement and the Peking Founder Master Agreement will expire on 31 December 2008, the Company had on 13 November 2008 entered into the Zhongguanyuan Lease Agreement and the Founder Building Lease Agreement in order to renew the Century Lease Agreement and the New Century Lease Agreement, respectively. The Company also intends to enter into the New Founder Master Agreement and the New Peking Founder Master Agreement to continue the transactions contemplated under the Founder Master Agreement and the Peking Founder Master Agreement, respectively, which constitute continuing connected transactions of the Company. Further, the Company proposes to enter into the EC-Founder HP Master Agreement with Founder, pursuant to which, the Group will purchase HP Products from the Founder Group where the transactions contemplated thereunder will constitute continuing connected transactions of the Company.

### **LEASING OF OFFICE PREMISES**

The Group has been leasing office premises in Beijing, the PRC from Fangcheng, a subsidiary of Peking Founder on normal commercial terms. Since the Century Lease Agreement and the New Century Lease Agreement will expire on 31 December 2008, PRC Century, an indirect wholly-owned subsidiary of the Company, entered into the Zhongguanyuan Lease Agreement and the Founder Building Lease Agreement with Fangcheng on 13 November 2008 to renew the Century Lease Agreement and the New Century Lease Agreement, respectively for a term of three years from 1 January 2009 to 31 December 2011.

## **SALES OF INFORMATION HARDWARE PRODUCTS TO FOUNDER GROUP**

The Group has been supplying information hardware products to the Founder Group on normal commercial terms in the ordinary and usual course of business pursuant to the Founder Master Agreement.

As a result of the continuous growth in business between the Group and the Founder Group in 2008, the Directors consider that the existing cap as set out in the First Supplemental Agreement will not be sufficient for the increasing volume of business between the Group and Founder Group for the whole year of 2008. Accordingly, the Company proposes to enter into the Second Supplemental Agreement with Founder to revise the existing annual cap for the year ending 31 December 2008 for the Founder Sales.

Since the Founder Master Agreement will expire on 31 December 2008, the Company proposes to enter into the New Founder Master Agreement with Founder in order to continue the transactions for the supply of information hardware products to the Founder Group. It is proposed that the New Founder Master Agreement will commence from 1 January 2009 for a term of three years and expire on 31 December 2011.

## **SALES OF INFORMATION HARDWARE PRODUCTS TO PEKING FOUNDER GROUP**

The Group has been supplying information hardware products to the Peking Founder Group on normal commercial terms in the ordinary and usual course of business pursuant to the Peking Founder Master Agreement which will expire on 31 December 2008. Accordingly, the Company proposes to enter into the New Peking Founder Master Agreement with Peking Founder to continue the transactions for the supply of information hardware products to the Peking Founder Group for a term of three years from 1 January 2009 to 31 December 2011.

## **PURCHASE OF HP PRODUCTS FROM FOUNDER GROUP**

The Company proposes to enter into the EC-Founder HP Master Agreement with Founder pursuant to which the Group will purchase the HP Products from the Founder Group for a term of three years from 1 January 2009 to 31 December 2011.

## **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. Fangcheng, being a subsidiary of Peking Founder, is also a connected person of the Company under the Listing Rules.

Accordingly, the transactions under (i) the Zhongguanyuan Lease Agreement and the Founder Building Lease Agreement; (ii) the Second Supplemental Agreement; (iii) the New Founder Master Agreement; (iv) the New Peking Founder Master Agreement; and (v) the EC-Founder HP Master Agreement constitute continuing connected transactions for the Company pursuant to the Listing Rules.

Since each of the applicable percentage ratios in respect of the Zhongguanyuan Lease Agreement and the Founder Building Lease Agreement is less than 25% and the aggregate annual amount of rental payable under the Zhongguanyuan Lease Agreement and the Founder Building Agreement is less than HK\$10,000,000, the Company is required to comply with the reporting and announcement requirements but is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Since each of the applicable percentage ratios in respect of (i) the proposed revised cap for the year 2008 as contemplated under the Second Supplemental Agreement; (ii) the proposed annual caps under the New Founder Master Agreement; (iii) the proposed annual caps under the New Peking Founder Master Agreement; and (iv) the proposed annual caps under the EC-Founder HP Master Agreement exceeds 25%, the transactions contemplated under the Second Supplemental Agreement, the New Founder Master Agreement, the New Peking Founder Master Agreement and the EC-Founder HP Master Agreement shall be subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

## **GENERAL**

An independent board committee (comprising all three independent non-executive Directors) will be established to advise the independent shareholders in connection with the New Peking Founder Master Agreement (including the proposed annual caps for the three years ending 31 December 2011).

Since Mr Li Fat Chung and Ms Wong Lam Kit Yee, both being independent non-executive Directors, are also independent non-executive directors of Founder, an independent board committee (comprising only Ms Cao Qian, being the remaining independent non-executive Director) will be established to advise the independent shareholders in connection with (i) the proposed revised cap for the year 2008 under the Second Supplemental Agreement; (ii) the New Founder Master Agreement (including the proposed annual caps for the three years ending 31 December 2011); and (iii) the EC-Founder HP Master Agreement (including the proposed annual caps for the three years ending 31 December 2011). The Company will appoint an independent financial adviser to advise the two independent board committees respectively in this regard. The Company will despatch to its shareholders a circular containing further details of the Second Supplemental Agreement, the New Founder Master Agreement, the New Peking Founder Master Agreement and the EC-Founder HP Master Agreement, letters from the two independent board committees 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.

Reference is made to (i) the 2006 January SGM in relation to the Founder Master Agreement and the Peking Founder Master Agreement; (ii) the 2006 December SGM in relation to the First Supplemental Agreement; (iii) the 2008 June SGM in relation to the revision of annual cap for year 2008 of the Peking Founder Master Agreement; and (iv) the 2008 May Announcement in relation to, among others, the Century Lease Agreement and the New Century Lease Agreement. As the Century Lease Agreement, the New Century Lease Agreement, the Founder Master Agreement and the Peking Founder Master Agreement will expire on 31 December 2008, the Company had on 13 November 2008 entered into the Zhongguanyuan Lease Agreement and the Founder Building Lease Agreement in order to renew the Century Lease Agreement and the New Century Lease Agreement, respectively. The Company also intends to enter into the New Founder Master Agreement and the New Peking Founder Master Agreement to continue the transactions contemplated under the Founder Master Agreement and the Peking Founder Master Agreement, respectively, which constitute continuing connected transactions of the Company. Further, the Company proposes to enter into the EC-Founder HP Master Agreement with Founder, pursuant to which, the Group will purchase HP products from the Founder Group where the transactions contemplated thereunder will constitute continuing connected transactions of the Company.

## (A) LEASING OF OFFICE PREMISES

The Group has been leasing office premises in Beijing, the PRC from Fangcheng, a subsidiary of Peking Founder, on normal commercial terms. Since the Century Lease Agreement and the New Century Lease Agreement will expire on 31 December 2008, PRC Century, an indirect wholly-owned subsidiary of the Company, entered into the Zhongguanyuan Lease Agreement and the Founder Building Lease Agreement with Fangcheng on 13 November 2008 to renew the Century Lease Agreement and the New Century Lease Agreement, respectively for a term of three years from 1 January 2009 to 31 December 2011.

### Principal terms of the lease agreements

The principal terms of the Zhongguanyuan Lease Agreement are as follows:

- |   |  |
|---|--|
| Lessor:                                       | Fangcheng, a subsidiary of Peking Founder  |
| Lessee:                                       | PRC Century, an indirect wholly-owned subsidiary of the Company  |
| Property leased:                              | Offices at Nos. 503-506 Zhongguanyuan, Chengfu Road (成府路中關園) (formerly known as Founder Building (方正樓), No.204 Chengfu Road), Haidian District, Beijing, the PRC |
| Area:   | Approximately 3,031 sq. m.   |
| Unit rental<br>(inclusive of management fee): | RMB 2.85 per sq. m. per day  |
| Annual rental and management fee:             | Approximately RMB3,152,997 (equivalent to approximately HK\$3,569,193)   |
| Lease term:                                   | From 1 January 2009 to 31 December 2011  |

The principal terms of the Founder Building Lease Agreement are as follows:

2. Lessor:	Fangcheng, a subsidiary of Peking Founder
Lessee:	PRC Century, an indirect wholly-owned subsidiary of the Company
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 1,192.62 sq. m.
Unit rental (inclusive of management fee):	RMB3.99 per sq. m. per day
Annual rental and management fee:	Approximately RMB 1,736,872 (equivalent to approximately HK\$1,966,139)
Lease term:	From 1 January 2009 to 31 December 2011

According to the terms of the above two lease agreements, the rental and management fees are payable quarterly in cash 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 is required to pay deposits amounting to one month's rental and management fee under each of the above two lease agreements. The lessor will have the right to terminate the leases if the lessee fails to comply with the terms and conditions of the above two lease agreements.

### **Historical figures and annual caps for the lease agreements**

Currently, the total floor area occupied by the Group in Beijing, the PRC under the Century Lease Agreement and the New Century Lease Agreement is approximately 3,592.62 sq. m. with an aggregate annual rental and management fee payable of approximately RMB4,058,811 (equivalent to approximately HK\$4,594,574) which is equivalent to the relevant annual cap for the year ending 31 December 2008 under the Century Lease Agreement and the New Century Lease Agreement.

Under the Zhongguanyuan Lease Agreement and the Founder Building Lease Agreement, the total floor area to be occupied by the Group in Beijing, the PRC, will be approximately 4,223.62 sq. m. with an aggregate annual rental and management fee payable of approximately RMB 4,889,870 (equivalent to approximately HK\$5,535,333). The increase in the rental floor area at Nos. 503-506 Zhongguanyuan, Chengfu Road (成府路中關園) (formerly known as Founder Building (方正樓), No.204 Chengfu Road) from 2,400 sq. m. to 3,031 sq.m. under the Zhongguanyuan Lease Agreement is mainly due to future business expansion plan which requires more office space to cater for an increase in headcount, and the increase in the annual rental and management fee under the Zhongguanyuan Lease Agreement and Founder Building Lease Agreement can be explained by the increase in total floor area and the increase in the unit rental and management fee.

The actual rental paid under the Century Lease Agreement and the New Century Lease Agreement for the two years ended 31 December 2007 and the 10 months ended 31 October 2008, the historical annual caps and the proposed annual caps for the three years ending 31 December 2011 are set out below:

	Year ended 31 December 2006 RMB	Year ended 31 December 2007 RMB	Year ending 31 December 2008 RMB	Year ending 31 December 2009 RMB	Year ending 31 December 2010 RMB	Year ending 31 December 2011 RMB
<b>Century Lease Agreement</b>						
Actual rental amount	1,806,750	2,409,000	2,007,500 (1 January - 31 October 2008)	N/A	N/A	N/A
Historical annual caps	1,806,750	1,806,750	2,409,000	N/A	N/A	N/A
<b>Zhongguanyuan Lease Agreement</b>						
Proposed annual caps	N/A	N/A	N/A	3,160,000	3,160,000	3,160,000
<b>New Century Lease Agreement</b>						
Actual rental amount	N/A	1,649,811	1,374,843 (1 January - 31 October 2008)	N/A	N/A	N/A
Historical annual cap	N/A	N/A	1,649,811	N/A	N/A	N/A
<b>Founder Building Lease Agreement</b>						
Proposed annual caps	N/A	N/A	N/A	1,740,000	1,740,000	1,740,000

### **Reasons for and benefits of the Zhongguanyuan Lease Agreement and the Founder Building Lease Agreement**

The Group has been leasing certain premises at Zhongguancun Founder Building (中關村方正大廈) and Nos. 503-506 Zhongguanyuan, Chengfu Road (成府路中關園) from Fangcheng, a subsidiary of Peking Founder, as offices. Fangcheng is principally engaged in property management in the PRC. 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.

The Board considers that the terms of the Zhongguanyuan Lease Agreement and the Founder Building 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 Zhongguanyuan Lease Agreement and the Founder Building 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.

## **(B) SALES OF INFORMATION HARDWARE PRODUCTS TO FOUNDER GROUP**

The Group has been supplying information hardware products to the Founder Group on normal commercial terms in the ordinary and usual course of business pursuant to the Founder Master Agreement as supplemented by the First Supplemental Agreement. Pursuant to the First Supplemental Agreement, the annual caps for the Founder Sales for the three years ending 31 December 2008 were revised in order to cater for the increasing demand by the Founder Group.

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

As a result of the continuous growth in business between the Group and the Founder Group in 2008, the Directors consider that the existing cap as set out in the First Supplemental Agreement will not be sufficient for the increasing volume of business between the Group and the Founder Group for the whole year of 2008. Accordingly, the Company proposes to enter into the Second Supplemental Agreement with Founder to revise the existing annual cap for the year ending 31 December 2008 for the Founder Sales. The proposed revised annual cap for the Founder Sales contemplated under the Second Supplemental Agreement is determined based on the Company's estimation of the sales for October to December 2008 with reference to the historical sales pattern for the last quarter of the year, the actual monthly sales pattern for the two financial years ended 31 December 2006 and 2007 and the sales volume for the nine months ended 30 September 2008.

### **The New Founder Master Agreement**

Since the Founder Master Agreement will expire on 31 December 2008, the Company also proposes to enter into the New Founder Master Agreement with Founder in order to continue the transactions for the supply of information hardware products to the Founder Group. It is proposed that the New Founder Master Agreement will commence from 1 January 2009 for a term of three years and expire on 31 December 2011.

Pursuant to the New Founder Master Agreement, the Group should provide information hardware products at market prices 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.

## Historical figures and annual caps

The following table sets out the actual sales figures of the Founder Sales for each of the two years ended 31 December 2007 and the 9 months ended 30 September 2008, the proposed revised cap for the year ending 31 December 2008, the historical annual caps and the proposed annual caps for the three years ending 31 December 2011:

	Year ended 31 December 2006 RMB' million	Year ended 31 December 2007 RMB' million	Year ending 31 December 2008 RMB' million	Year ending 31 December 2009 RMB' million	Year ending 31 December 2010 RMB' million	Year ending 31 December 2011 RMB' million
Actual sales	97.0	114.6	116.4 (1 January - 30 September 2008)	N/A	N/A	N/A
Historical annual caps	97.0	114.6	131.28	N/A	N/A	N/A
Revised annual cap	N/A	N/A	185	N/A	N/A	N/A
Proposed annual caps	N/A	N/A	N/A	259	362.6	507.64

The Group has been supplying the Founder Group with information hardware products for its software development business and systems integration projects. The level of purchase orders placed by the Founder Group increased significantly in 2008 due to Founder Group's rapid business expansion and has been increasing steadily over the past few years. The proposed annual caps for the Founder Sales as contemplated under the New Founder Master Agreement are determined with reference to the historical values of the transactions, Founder's indication of the current and projected value of its systems integration projects business and the Company's estimates of future growth of the information technology business in the PRC. The Directors consider that there will be an annual increase of 40% in the value of the annual caps for the proposed revised cap for the year ending 31 December 2008 and the proposed annual cap for the three years ending 31 December 2011. Such percentage increase represents the average annual increase in the turnover of the Group from 1 January 2004 up to the six months ended 30 June 2008.

## Reasons for and benefit of the Founder Sales

The Group is principally engaged in the distribution of information hardware products in the PRC. The Founder Group is principally engaged in software development and system integration relating to the media industry and non-media industries relating to financial institutions, commercial enterprises and government departments in the PRC.

The Founder Group has been purchasing information hardware products for its customers in order to establish computer systems, and provide software and hardware solutions to its clients. The Founder Group has also been purchasing information hardware products for use in its software development business (mainly electronic publishing software). The Board considers that it is beneficial to the Group to continue to maintain members of the Founder Group as its customers and to continue to supply information hardware products to the Founder Group on normal commercial terms.



The Board considers that the terms of the Second Supplemental Agreement and the New Founder Master Agreement were arrived at after arm's length negotiations between the parties involved. Both agreements will be entered into in the ordinary and usual course of business of the Group. Since Mr Li Fat Chung and Ms Wong Lam Kit Yee, both being independent non-executive Directors, are also independent non-executive directors of Founder, Ms Cao Qian, being the remaining independent non-executive Director, will only express her opinion after receiving advice from the independent financial adviser. The Directors (excluding all the independent non-executive Directors) consider that the terms of the Second Supplemental Agreement and the transactions under the New Founder Master Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole and that the revised 2008 annual cap as contemplated by the Second Supplemental Agreement and the proposed annual caps for the Founder Sales for the three years ending 31 December 2011 are fair and reasonable.

**(C) SALES OF INFORMATION HARDWARE PRODUCTS TO PEKING FOUNDER GROUP**

The Group has been supplying information hardware products to the Peking Founder Group on normal commercial terms in the ordinary and usual course of business pursuant to the Peking Founder Master Agreement which will expire on 31 December 2008. Accordingly, the Company proposes to enter into the New Peking Founder Master Agreement with Peking Founder to continue the transactions for the supply of information hardware products to the Peking Founder Group for a term of three years from 1 January 2009 to 31 December 2011.

Pursuant to the New Peking Founder Master Agreement, the Group should provide information hardware products at market prices 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.

**Historical figures and annual caps**

The following table sets out the actual sales figures of the Peking Founder Sales for each of the two years ended 31 December 2007 and the 10 months ended 31 October 2008, the historical annual caps as well as the proposed annual caps for the three years ending 31 December 2011:

	<b>Year ended 31 December 2006 RMB 'million</b>	<b>Year ended 31 December 2007 RMB' million</b>	<b>Year ending 31 December 2008 RMB' million</b>	<b>Year ending 31 December 2009 RMB' million</b>	<b>Year ending 31 December 2010 RMB' million</b>	<b>Year ending 31 December 2011 RMB' million</b>
Actual sales	1.96	22.6	10.9 (1 January - 31 October 2008)	N/A	N/A	N/A
Historical annual caps	10.0	11.0	45.2	N/A	N/A	N/A
Proposed annual caps	N/A	N/A	N/A	52.6	73.64	103.096

The Peking Founder Group has been purchasing information hardware products from the Group for providing software solutions to and establishing computer systems for its clients. The proposed annual caps for the Peking Founder Sales as contemplated under the New Peking Founder Master Agreement are determined with reference to the historical monthly sales volume of the Company, the historical values of the transactions, the expected purchases estimated by the Peking Founder and the Company's estimates of future growth of the information technology business in the PRC.

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

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. 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 New Peking Founder Master Agreement were arrived at after arm's length negotiations between the parties involved. The New 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 New Peking Founder Master Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole and that the proposed annual caps for the Peking Founder Sales are fair and reasonable.

### **(D) PURCHASE OF HP PRODUCTS FROM FOUNDER GROUP**

The Company proposes to enter into the EC-Founder HP Master Agreement with Founder pursuant to which the Group will purchase the HP Products from the Founder Group for a term of three years from 1 January 2009 to 31 December 2011.

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

## Annual caps

The following table sets out the actual purchase of the HP Products for the two years ending 31 December 2007 and the 10 months ended 31 October 2008 as well as the proposed annual caps under the EC-Founder HP Master Agreement for the three years ending 31 December 2011:

	Year ended 31 December 2006 USD' million	Year ended 31 December 2007 USD' million	10 months ended 31 October 2008 USD' million	Year ending 31 December 2009 USD' million	Year ending 31 December 2010 USD' million	Year ending 31 December 2011 USD' million
Actual purchase	60 (equivalent to approximately RMB413.4 million)	39.5 (equivalent to approximately RMB272.2 million)	51.0 (equivalent to approximately RMB351.4 million)	N/A	N/A	N/A
Proposed annual caps	N/A	N/A	N/A	80 (equivalent to approximately RMB551.2 million)	90 (equivalent to approximately RMB620.1 million)	105 (equivalent to approximately RMB723.5 million)

The proposed annual caps for purchase of HP Products under the EC-Founder HP Master Agreement are determined with reference to the estimated value of HP products to be purchased by Founder Group directly from HP as well as the historical values of the HP products purchased by the Group and the Company's estimates of future growth of the information technology business in the PRC. The projected purchase volume from 1 November to 31 December 2008 is expected to be equal to approximately one month's purchase volume, totaling a projected purchase of HP Products of US\$56.1 million for the year ending 31 December 2008. The annual cap for the year ending 31 December 2009 was then determined with reference to the projected 2008 purchase volume multiplied by the Group's projected turnover growth rate of approximately 40%, whereas the proposed annual caps for the two years ending 31 December 2011 were determined with reference to projected annual growth rates of approximately 12.5% and 15%, respectively.

## Reason for and benefits of the EC-Founder HP Master Agreement

The Group has been purchasing the HP Products from HP for resale to its customers. However, due to the local PRC regulatory requirement and as a result of negotiations between HP, Founder and the Company, it is proposed that Founder will enter into an agreement with HP pursuant to which Founder is appointed as an authorized, non-exclusive reseller for the HP Products. The Group will then purchase the HP Products from Founder under the EC-Founder HP Master Agreement.

The Board considers that the terms of the EC-Founder HP Master Agreement were arrived at after arm's length negotiations between the parties involved. The EC-Founder HP Master Agreement will be entered into in the ordinary and usual course of business of the Group. Since Mr Li Fat Chung and Ms Wong Lam Kit Yee, both being independent non-executive Directors, are also independent non-executive directors of Founder, Ms Cao Qian, being the remaining independent non-executive Director, will only express her opinion after receiving advice from the independent financial adviser. The Directors (excluding all the independent non-executive Directors) consider that the transactions under the EC-Founder HP Master Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole and that the proposed annual caps for the purchases under the EC-Founder HP Master Agreement are fair and reasonable.

## **(E) 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 Chapter 14A of the Listing Rules. Fangcheng, being a subsidiary of Peking Founder, is also a connected person of the Company under the Listing Rules.

Accordingly, the transactions under (i) the Zhongguanyuan Lease Agreement and the Founder Building Lease Agreement; (ii) the Second Supplemental Agreement; (iii) the New Founder Master Agreement; (iv) the New Peking Founder Master Agreement; and (v) the EC-Founder HP Master Agreement constitute continuing connected transactions for the Company pursuant to the Listing Rules.

Since each of the applicable percentage ratios in respect of the Zhongguanyuan Lease Agreement and the Founder Building Lease Agreement is less than 25% and the aggregate annual amount of rental payable under the Zhongguanyuan Lease Agreement and the Founder Building Lease Agreement is less than HK\$10,000,000, the Company is required to comply with the reporting and announcement requirements but is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Since each of the applicable percentage ratios in respect of (i) the proposed revised cap for the year 2008 as contemplated under the Second Supplemental Agreement; (ii) the proposed annual caps under the New Founder Master Agreement; (iii) the proposed annual caps under the New Peking Founder Master Agreement; and (iv) the proposed annual caps under the EC-Founder HP Master Agreement exceeds 25%, the transactions contemplated under the Second Supplemental Agreement, the New Founder Master Agreement, the New Peking Founder Master Agreement and the EC-Founder HP Master Agreement shall be subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

## **(F) GENERAL**

An independent board committee (comprising all three independent non-executive Directors) will be established to advise the independent shareholders in connection with the New Peking Founder Master Agreement (including the proposed annual caps for the three years ending 31 December 2011).

Since Mr Li Fat Chung and Ms Wong Lam Kit Yee, both being independent non-executive Directors, are also independent non-executive directors of Founder, an independent board committee (comprising only Ms Cao Qian, being the remaining independent non-executive Director) will be established to advise the independent shareholders in connection with (i) the proposed revised cap for the year 2008 under the Second Supplemental Agreement; (ii) the New Founder Master Agreement (including the proposed annual caps for the three years ending 31 December 2011); and (iii) the EC-Founder HP Master Agreement (including the proposed annual caps for the three years ending 31 December 2011).

The Company will appoint an independent financial adviser to advise the two independent board committees respectively in this regard. The Company will despatch to its shareholders a circular containing further details of the Second Supplemental Agreement, the New Founder Master Agreement, the New Peking Founder Master Agreement and the EC-Founder HP Master Agreement, letters from the two independent board committees 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.

As at the date of this announcement, 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

"2006 January SGM"	the special general meeting of the Company held on 4 January 2006 whereby the independent shareholders approved the Founder Master Agreement and the Peking Founder Master Agreement
"2006 December SGM"	the special general meeting of the Company held on 27 December 2006 whereby the independent shareholders of the Company approved the First Supplemental Agreement
"2008 June SGM"	the special general meeting of the Company held on 16 June 2008 whereby the independent shareholders of the Company approved the revised annual cap for year 2008 of the Peking Founder Master Agreement
"2008 May Announcement"	the announcement of the Company dated 13 May 2008 in relation to, among others, the Century Lease Agreement and the New Century Lease Agreement
"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) as supplemented by the supplemental agreement entered into on 20 August 2007 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
"EC-Founder HP Master Agreement"	the master agreement to be entered into between the Founder and the Company in relation to the purchase of HP Products by the Group from the Founder Group for a term of three years from 1 January 2009 to 31 December 2011
"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
"First Supplemental Agreement"	the supplemental agreement dated 5 December 2006 to the Founder Master Agreement entered into between Founder and the Company for revision of the annual caps for the three years ending 31 December 2008

"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 Building Lease Agreement "	the lease agreement entered into on 13 November 2008 between PRC Century (as lessee) and Fangcheng (as lessor) in relation to 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
" Founder Group"	Founder and its subsidiaries
" Founder Master Agreement"	the master agreement entered into between Founder and the Company dated 5 January 2006 as supplemented by the First Supplemental Agreement in relation to the sales of information hardware products to the Founder Group by the Group
"Founder Sales"	the transactions contemplated under the Founder Master Agreement in relation to the sales of information hardware products to the Founder Group by the Group
"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
"HP"	Hewlett-Packard AP (Hong Kong) Limited
"HP Products"	products, including but not limited to, the hardware, software, accessories, upgrades, service packs, support packs and care packs that HP authorizes Founder to purchase under the agreement to be entered into between HP and the Founder, custom products which were modeled according to end-users' requirement, and/ or services provided by HP such as hardware maintenance and repair, software updates and maintenance, installation, training and other services
"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
"New Founder Master Agreement"	the master agreement to be entered into between Founder and the Company in relation to the sales of information hardware products to the Founder Group by the Group for a term of three years from 1 January 2009 to 31 December 2011

"New Peking Founder Master Agreement"	the master agreement to be 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 for a term of three years from 1 January 2009 to 31 December 2011
"Peking Founder"	北大方正集團有限公司(Peking University Founder Group Company Limited*), a company established in the PRC with limited liabilities, 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
"Second Supplemental Agreement"	the second supplemental agreement to the Founder Master Agreement to be entered into between Founder and the Company to revise the annual cap for the year ending 31 December 2008 for the Founder Sales

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"USD"	United States dollars, the lawful currency of the United States of America
"Zhongguanyuan Lease Agreement "	the lease agreement entered into on 13 November 2008 between PRC Century (as lessee) and Fangcheng (as lessor) in relation to certain offices at Nos.503-506 Zhongguanyuan, Chengfu Road (成府路中關園) (formerly known as Founder Building (方正樓), No.204 Chengfu Road), Haidian District, Beijing, the PRC
"%"	per cent.

*For illustrative purposes only, RMB is converted into HK\$ at an exchange rate of RMB1.00 = HK\$1.132 and USD is converted into RMB at an exchange rate of USD1.00 = RMB6.890 in this announcement.*

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

Hong Kong, 13 November 2008

*\* For identification purposes only*