
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Founder Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or other transferee or to the bank, stockbroker or other agents through whom the sale was effected for transmission to the purchaser or transferee.

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**CONTINUING CONNECTED TRANSACTIONS
AND
AMENDMENTS TO BYE-LAWS**

Financial adviser to Founder Holdings Limited

 **ERNST & YOUNG**
Ernst & Young Corporate Finance Limited

**Independent financial adviser to the Independent Board Committee and
the Independent Shareholders**

 **Hantec Capital Limited**

A letter from the board of directors of Founder Holdings Limited is set out on pages 4 to 16 of this circular. A letter from the Independent Board Committee (as defined herein) containing its advice to the Independent Shareholders (as defined herein) is set out on page 17 of this circular. A letter from Hantec Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 30 of this circular.

A notice convening the special general meeting to be held at 10:30 a.m. on Wednesday, 4 January 2006 at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong is set out on pages 38 to 40 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible to the principal place of business of Founder Holdings Limited at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong and in any event not later than 48 hours before the time of the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting should you so wish.

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DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context otherwise requires:

“associate(s)”	has the meaning as ascribed to it in the Listing Rules
“Board”	the board of Directors
“Bye-law(s)”	the bye-law(s) of the Company (as amended from time to time)
“Century Lease Agreement”	the lease agreement to be entered into between PRC Century (as lessee), Fangcheng (as agent of Peking Founder) and Peking Founder (as lessor) for certain premises in Beijing, the PRC
“CG Code”	the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules
“Company” or “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
“Directors”	the directors of Founder
“EC-Founder”	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 an approximately 54.85% owned subsidiary of Founder
“EC-Founder Group”	EC-Founder and its subsidiaries
“Fangcheng”	北京方誠物業管理有限責任公司 (Beijing Fangcheng Property Management Co., Ltd.*), a company established in the PRC and a subsidiary of Peking Founder
“Founder Electronics”	北京北大方正電子有限公司 (Beijing Founder Electronics Co., Ltd.*), a company established in the PRC and a wholly-owned subsidiary of Founder
“Founder Order”	北京方正奧德計算機系統有限公司 (Beijing Founder Order Computer System Co., Limited*), a company established in the PRC and a wholly-owned subsidiary of Founder
“Group”	Founder and its subsidiaries (including the EC-Founder Group, unless otherwise specified)

DEFINITIONS

“Hantec”	Hantec Capital Limited, a licensed corporation to carry out Types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activity for the purposes of the SFO, which has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“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”	the committee of the Board comprising all the independent non-executive Directors, namely Dr Hu Hung Lick, Henry, Mr Li Fat Chung and Ms Wong Lam Kit Yee
“Independent Shareholders”	Shareholders other than Peking Founder and its associates
“Independent Third Parties”	parties who are independent of and not connected with the directors, chief executive or substantial shareholders of the Company and its subsidiaries or any of their respective associates
“Latest Practicable Date”	9 December 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Lease Agreements”	the lease agreements dated 29 April 2003 (as amended by a supplemental agreement dated 21 July 2005) entered into between certain members of the Group (as lessees) and Peking Founder (as lessor) for certain premises in Beijing, the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Lease Agreements”	the lease agreements to be entered into between Founder Electronics (or Founder Order, as the case may be) (as lessee), Fangcheng (as agent of Peking Founder) and Peking Founder (as lessor) for certain premises in Beijing, the PRC
“Peking Founder”	北大方正集團有限公司(Peking University Founder Group Company Limited*), the controlling shareholder of Founder, which holds approximately 32.67% of the issued share capital of Founder

DEFINITIONS

“Peking Founder Group”	Peking Founder and its subsidiaries
“Peking Founder Master Agreement”	the master agreement proposed to be entered into between Peking Founder and EC-Founder in relation to the sales of information hardware products to the Peking Founder Group by the EC-Founder Group
“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 EC-Founder Group
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region and Taiwan for the purpose of this circular
“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 a wholly-owned subsidiary of EC-Founder
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong (as amended from time to time))
“SGM”	the special general meeting of Founder to be held to approve the transactions contemplated under the Century Lease Agreement, the New Lease Agreements and the Peking Founder Master Agreement and the amendments to the Bye-laws
“Shareholders”	the shareholders of Founder
“sq. m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

For illustrative purposes only, RMB is converted into HK\$ at an exchange rate of HK\$1.00 = RMB1.04 in this circular.

** For identification purpose only*

LETTER FROM THE BOARD



(Incorporated in Bermuda with limited liability)

(Stock Code: 0418)

Executive Directors:

Mr Cheung Shuen Lung (*Chairman*)
Professor Xiao Jian Guo (*Deputy Chairman*)
Professor Wei Xin
Mr Zhang Zhao Dong
Mr Xia Yang Jun (*President*)

Independent non-executive Directors:

Dr Hu Hung Lick, Henry
Mr Li Fat Chung
Ms Wong Lam Kit Yee

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal place of business in

Hong Kong:

Unit 1408, 14th Floor
Cable TV Tower
9 Hoi Shing Road
Tsuen Wan
New Territories
Hong Kong

12 December 2005

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS AND AMENDMENTS TO BYE-LAWS

INTRODUCTION

The Group has been leasing office premises in Beijing, the PRC from Peking Founder on normal commercial terms. The Lease Agreements will expire on 31 December 2005. The relevant members of the Group propose to enter into the New Lease Agreements and the Century Lease Agreement for a term of three years from 1 January 2006 to 31 December 2008.

The EC-Founder Group proposes to sell information hardware products to the Peking Founder Group on normal commercial terms and enter into the Peking Founder Master Agreement with Peking Founder to govern the terms of the Peking Founder Sales for a term of three years from 1 January 2006 to 31 December 2008.

** For identification purpose only*

LETTER FROM THE BOARD

EC-Founder is an approximately 54.85% owned subsidiary of Founder which in turn is owned as to approximately 32.67% by Peking Founder. Peking Founder is a connected person of Founder for the purposes of the Listing Rules. Transactions of the EC-Founder Group are also transactions of Founder for the purposes of the Listing Rules.

Accordingly, the transactions under the New Lease Agreements, the Century Lease Agreement and the Peking Founder Master Agreement will constitute continuing connected transactions for Founder pursuant to the Listing Rules. The aggregate annual amount of rental payable under the Century Lease Agreement and the New Lease Agreements is not less than HK\$10 million and the consideration ratio under the Listing Rules is not less than 2.5% for Founder. It is expected that the annual amount of the Peking Founder Sales under the Peking Founder Master Agreement for each of the two years ending 31 December 2008 will be not less than HK\$10 million and the consideration ratio under the Listing Rules will be not less than 2.5% for Founder.

Founder is required to comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the Century Lease Agreement, the New Lease Agreements and the Peking Founder Master Agreement.

Ernst & Young Corporate Finance Limited has been appointed to advise the Company in respect of the continuing connected transactions. The Independent Board Committee comprising all the independent non-executive Directors, namely Dr Hu Hung Lick, Henry, Mr Li Fat Chung and Ms Wong Lam Kit Yee, has been established to advise the Independent Shareholders regarding the fairness and reasonableness of the terms of the Century Lease Agreement, the New Lease Agreements and the Peking Founder Master Agreement and the estimated annual caps. Hantec has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you with further information on the Century Lease Agreement, the New Lease Agreements and the Peking Founder Master Agreement and the estimated annual caps and to seek your approval of the ordinary resolutions set out in the notice of the SGM on pages 38 to 40 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Century Lease Agreement, the New Lease Agreements and the Peking Founder Master Agreement and the estimated annual caps is set out on page 17 of this circular. The letter from Hantec to the Independent Board Committee and the Independent Shareholders containing its advice in relation to the Century Lease Agreement, the New Lease Agreements and the Peking Founder Master Agreement and the estimated annual caps is set out on pages 18 to 30 of this circular.

The Board would also take this opportunity to seek your approval at the SGM to amend the Bye-laws for the purpose of compliance with the CG Code. Information on the proposed amendments of the Bye-laws is set out in this circular and the special resolution is set out in the notice of the SGM on pages 38 to 40 of this circular.

LETTER FROM THE BOARD

LEASING OF OFFICE PREMISES

Principal terms of the New Lease Agreements and the Century Lease Agreement

The principal terms of the New Lease Agreements are as follows:

1. Lessor: Peking Founder
Lessee: Founder Electronics, a wholly-owned subsidiary of Founder
Property leased: 1st floor to 5th floor and basement of the main tower and basement of the ancillary tower of Shangdi Founder Building (上地方正大厦) at No.9, Shangdi 5th Street (also known as Shangdi Information Industry Base), Haidian District, Beijing, the PRC
Area: Approximately 14,806 sq. m. (including approximately 11,079 sq. m. of area above ground and approximately 3,727 sq. m. of area in the basement)
Unit rental (inclusive of management fee):
 - (a) RMB2.02 per sq. m. per day for area above ground
 - (b) Nil rental for area in the basement but needs to pay management fee of RMB0.54 per sq. m. per day
Annual rental and management fee: RMB8,903,086.44 (equivalent to approximately HK\$8,560,660)
Lease term: From 1 January 2006 to 31 December 2008

LETTER FROM THE BOARD

2. Lessor: Peking Founder
Lessee: Founder Order, a wholly-owned subsidiary of Founder
Property leased: Rooms 605-607, 608-609, 610-611 and 612-616 and
common conference area at 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 2,643 sq. m. (including approximately
506.9 sq. m. of common conference area)
Unit rental (a) RMB4.00 per sq. m. per day
(inclusive of management fee): (b) Nil rental for common conference area but needs
to pay management fee of RMB0.60 per sq. m.
per day
Annual rental and management fee: RMB3,229,819.29 (equivalent to approximately
HK\$3,105,595)
Lease term: From 1 January 2006 to 31 December 2008

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

3. Lessor: 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.
Unit rental RMB2.75 per sq. m. per day
(inclusive of management fee):
Annual rental and management fee: RMB1,806,750 (equivalent to approximately
HK\$1,737,260)
Lease term: From 1 January 2006 to 31 December 2008

The rental and management fees are payable in cash quarterly in arrears. The lessees 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 lessees will not be required to pay deposits under the leases. The lessor will have the right to terminate the leases if the lessees fail to comply with the terms and conditions of the agreements.

LETTER FROM THE BOARD

Historical values and annual caps

Currently, the total floor area of the office premises occupied by the Group in Beijing, the PRC under the relevant Lease Agreements is approximately 21,830 sq. m. with an aggregate annual rental and management fee payable of approximately RMB22.6 million (approximately HK\$21.8 million). The relevant annual caps under the existing waivers obtained under the old Listing Rules for these particular leases amounted to approximately RMB23.5 million (approximately HK\$22.6 million) in aggregate. The total floor area under the New Lease Agreements and the Century Lease Agreement is approximately 19,249 sq. m. and the aggregate annual rental and management fee payable amount to approximately RMB13.9 million (approximately HK\$13.4 million). The reduction in the total floor area is mainly due to the reduction in headcount and the downsizing of the operations of Founder Order in 2004 and 2005. The decrease in the annual rental and management fee payable is due to the reduction in the total floor area leased and the decrease in the unit rental (inclusive of management fee).

The Lease Agreements disclosed in the announcements of Founder and EC-Founder dated 19 March 2003 and 29 April 2003 respectively (and the relevant caps and waivers under the old Listing Rules) include certain other leases with Peking Founder. As the lessees of such other leases are no longer members of the Group, such other leases, if renewed, will no longer constitute connected transactions of the Group under the Listing Rules.

The following table sets out (i) the actual rental and management fee paid/payable under the relevant Lease Agreements for the period from 1 May 2003 to 31 December 2003, the year ended 31 December 2004 and the year ending 31 December 2005; (ii) the historical caps for such Lease Agreements; and (iii) the estimated annual caps for the New Lease Agreements and the Century Lease Agreement for each of the three years ending 31 December 2008.

LETTER FROM THE BOARD

Lessee and lease terms	From 1 May 2003 to 31 December 2003	For the year ended 31 December 2004	For the year ending 31 December 2005	For each of the three years ending 31 December 2008
1. Founder Electronics				
Area occupied	17,000 sq. m.	17,000 sq. m.	17,000 sq. m.	14,806 sq. m.
Unit rental (inclusive of management fee) per sq. m. per day	RMB2.7 for area above ground	RMB2.7 for area above ground	RMB2.7 for area above ground	RMB2.02 for area above ground
	RMB1.7 for area underground	RMB1.7 for area underground	RMB1.7 for area underground	Management fee of RMB0.54 for basement
Actual rental and management fee paid/payable	RMB10,195,666	RMB15,293,500	RMB15,293,500	N/A
Expected annual rental and management fee	N/A	N/A	N/A	RMB8,903,086.44
Annual cap	RMB15,293,500	RMB15,293,500	RMB15,293,500	RMB8,903,086.44
2. Founder Order				
Area occupied	3,527 sq. m.	3,527 sq. m.	3,029.87 sq. m.	2,643 sq. m.
Unit rental (inclusive of management fee) per sq. m. per day	RMB4.8	RMB4.8	RMB4.8	RMB4.00 for office; Nil rental for common conference area but need to pay management fee of RMB0.60
Actual rental and management fee paid/payable	RMB3,089,652	RMB6,179,304	RMB5,308,332	N/A
Expected annual rental and management fee	N/A	N/A	N/A	RMB3,229,819.29
Annual cap	RMB6,179,304	RMB6,179,304	RMB6,179,304	RMB3,229,819.29

LETTER FROM THE BOARD

Lessee and lease terms	From 1 May 2003 to 31 December 2003	For the year ended 31 December 2004	For the year ending 31 December 2005	For each of the three years ending 31 December 2008
3. PRC Century				
Area occupied	1,800 sq. m.	1,800 sq. m.	1,800 sq. m.	1,800 sq. m.
Unit rental (inclusive of management fee) per sq. m. per day	RMB3.1	RMB3.1	RMB3.1	RMB2.75
Actual rental and management fee paid/payable	RMB1,018,350	RMB2,036,700	RMB2,036,700	N/A
Expected annual rental and management fee	N/A	N/A	N/A	RMB1,806,750
Annual cap	RMB2,036,700	RMB2,036,700	RMB2,036,700	RMB1,806,750
Aggregate actual rental and management fee paid/payable	RMB14,303,668	RMB23,509,504	RMB22,638,532	N/A
Aggregate expected annual rental and management fee	N/A	N/A	N/A	RMB13,939,655.73

The respective annual caps for the New Lease Agreements and the Century Lease Agreement for each of the three years ending 31 December 2008 will be the amount of the annual rental and management fee as stated in the relevant agreements which are summarised in the previous subsection and the above table.

LETTER FROM THE BOARD

Reasons for and benefits of the New Lease Agreements and the Century Lease Agreement

The Group has been leasing certain premises at Shangdi Founder Building (上地方正大廈), Zhongguancun Founder Building (中關村方正大廈) and Founder Building (方正樓) from Peking Founder as offices, canteens and staff quarters. 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 the Group's 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 terms of the New Lease Agreements and the Century Lease Agreement were arrived at after arm's length negotiations between the parties involved. The New Lease Agreements and the Century Lease Agreement will be entered into in the ordinary and usual course of business of the Group. Founder has appointed LCH (Asia-Pacific) Surveyors Limited, an independent valuer in Hong Kong, to consider the terms of the leases. LCH (Asia-Pacific) Surveyors Limited considers that the unit rental (inclusive of management fee) of the leases under the New Lease Agreements and the Century Lease Agreement is comparable to market rentals as at 11 November 2005 of similar properties in the locality and is fair and reasonable.

The Directors consider that the transactions under the New Lease Agreements and the Century Lease Agreement are on normal commercial terms, fair and reasonable and in the interests of Founder and its shareholders as a whole and that the annual caps for the leases are fair and reasonable.

SALES OF INFORMATION HARDWARE PRODUCTS

The Peking Founder Master Agreement

The EC-Founder Group proposes to sell information hardware products to the Peking Founder Group on normal commercial terms and enter into the Peking Founder Master Agreement with Peking Founder to govern the terms of the Peking Founder Sales for a term of three years from 1 January 2006 to 31 December 2008.

Pursuant to the Peking Founder Master Agreement, the EC-Founder 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 Parties 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

LETTER FROM THE BOARD

business, to Independent Third Parties 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 EC-Founder as a whole.

Historical values and annual caps

The following table sets out the historical values of the Peking Founder Sales for each of the two years ended 31 December 2004 and the estimated annual caps for each of the three years ending 31 December 2008.

	Year ended 31 December 2003 RMB'million	Year ended 31 December 2004 RMB'million	10 months ended 31 October 2005 RMB'million	Year ending 31 December 2005 RMB'million	Year ending 31 December 2006 RMB'million	Year ending 31 December 2007 RMB'million	Year ending 31 December 2008 RMB'million
Peking Founder Sales							
Actual (Note)	0.5	1.1	—	—	—	—	—
Cap	N/A	N/A	N/A	N/A	10.0	11.0	12.1

Note:

The relevant member of the Peking Founder Group to which such sales were made in the past is EC-Founder Co., Ltd. which used to be a wholly-owned subsidiary of EC-Founder. As such, no waiver or cap under the old Listing Rules was necessary for such intra-group transactions in the past. EC-Founder Co., Ltd. usually settled payments to the EC-Founder Group on or within 30 days after product delivery. As disclosed in the joint announcement of Founder and EC-Founder dated 20 October 2004, EC-Founder disposed of EC-Founder Co., Ltd. to the Peking Founder Group. Since completion of such disposal in December 2004, the EC-Founder Group has refrained from supplying products to EC-Founder Co., Ltd. as EC-Founder (and also Founder) will have to take steps to comply with the provisions governing continuing connected transactions in Chapter 14A of the Listing Rules when proceeding with such transactions. During 2005, EC-Founder Co., Ltd. purchased similar products from third party suppliers and the aggregate amount of such purchases for the 10 months ended 31 October 2005 was understood to be approximately RMB4.8 million.

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 estimated annual caps for the Peking Founder Sales are determined with reference to (i) the historical values of similar products purchased by the Peking Founder Group as set out in the table above, (ii) the expected purchases from the EC-Founder Group estimated by the management of EC-Founder based on the market experience and knowledge of the management of EC-Founder and the discussions with Peking Founder and (iii) EC-Founder's estimates of the annual growth rate of the information technology business in the PRC for each of the two years ending 31 December 2008 of 10% based on market information available to it.

LETTER FROM THE BOARD

Reasons for and benefits of the Peking Founder Sales

The Group is principally engaged in software development and systems integration relating to the media industry and certain other industries, and 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 EC-Founder Group to supply information hardware products to the Peking Founder Group on normal commercial terms, thus broadening its customer base.

The terms of the Peking Founder Master Agreement were arrived at after arm's length negotiations between the parties involved. The Peking Founder Master Agreement will be entered into in the ordinary and usual course of business of the EC-Founder Group. The Directors consider that the transactions under the Peking Founder Master Agreement are on normal commercial terms, fair and reasonable and in the interests of Founder and its shareholders as a whole and that the estimated annual caps for the Peking Founder Sales are fair and reasonable.

ANNUAL REVIEW OF THE CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions under the Century Lease Agreement, the New Lease Agreements and the Peking Founder Master Agreement will be required to be subject to the following annual review requirements:

- (1) the independent non-executive Directors shall review annually the continuing connected transactions and confirm in the Company's corresponding annual report that the continuing connected transactions have been entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) either on normal commercial terms, or if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than those available from Independent Third Parties; and
 - (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and

LETTER FROM THE BOARD

- (2) the auditors of the Company shall review annually the continuing connected transactions and confirm in a letter to the Board (a copy of which shall be provided to the Stock Exchange) that such continuing connected transactions:
- (i) have received the approval of the Board;
 - (ii) in respect of the Peking Founder Master Agreement, are in accordance with the pricing policies of the Group;
 - (iii) have been entered into in accordance with the relevant agreement governing the transactions; and
 - (iv) have not exceeded the relevant caps.

The Company shall promptly notify the Stock Exchange and publish an announcement if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (1) and/or (2) respectively.

The Company shall allow, and shall procure that the relevant counterparties to the continuing connected transactions shall allow the Company's auditors access to the relevant records for the purpose of the auditors' review of the continuing connected transactions referred to in paragraph (2) above.

AMENDMENTS TO THE BYE-LAWS

The Board would also take the opportunity at the SGM to seek the approval of the Shareholders to amend the current Bye-laws. The purpose of the amendments is to comply with the implementation of the CG Code which became effective on 1 January 2005. The proposed amendments are summarised below:

- (i) Bye-law 70 is amended to provide that the chairman of a general meeting must demand a poll in that general meeting whenever voting by way of a poll is required under Rule 13.39(4) of the Listing Rules or if holding 5% or more of the total voting rights at a particular meeting of the Company where, on a show of hands such meeting votes in the opposite manner to that instructed in those proxies (CG Code provision E.2.1).
- (ii) Bye-law 71 is amended to require the chairman of a general meeting to disclose the voting results on a poll following the meeting, and to ensure all proxy votes are properly counted and recorded (Rule 13.39(5) of the Listing Rules and CG Code provision E.2.2).

LETTER FROM THE BOARD

- (iii) Bye-law 99 is amended to clearly provide that (a) every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years in accordance with the CG Code; (b) the Directors holding office as chairman or managing director are without exception, also subject to retirement by rotation (CG Code provision A.4.2); and (c) a retiring Director shall continue to act as Director throughout the meeting at which he retires.

- (iv) Bye-law 102(B) is amended to provide that all Directors appointed to fill a casual vacancy shall be subject to election by the Shareholders at the first following general meeting, instead of the next following annual general meeting, after their appointment (CG Code provision A.4.2).

The proposed amendments to the Bye-laws are set out in the proposed special resolution no.3 in the notice convening the SGM as set out on pages 38 to 40 of this circular.

SGM

A notice convening the SGM to be held at 10:30 a.m. on Wednesday, 4 January 2006 at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong is set out on pages 38 to 40 of this circular. At the SGM, ordinary resolutions will be proposed for the Independent Shareholders to consider and, if thought fit, to approve the Century Lease Agreement, the New Lease Agreements and the Peking Founder Master Agreement and the estimated annual caps. A special resolution will be proposed for the Shareholders to approve the amendments to the Bye-laws.

The ordinary resolutions to be proposed at the SGM to approve the Century Lease Agreement, the New Lease Agreements and the Peking Founder Master Agreement and the estimated annual caps will be determined by way of a poll by the Independent Shareholders. Peking Founder and its associates were interested in approximately 32.67% of the issued share capital of Founder as at the Latest Practicable Date. Peking Founder and its associates are required to abstain from voting at the SGM in respect of such resolutions.

A form of proxy for use in connection with the SGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible to the principal place of business of the Company at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong and in any event not later than 48 hours before the time of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish.

LETTER FROM THE BOARD

RECOMMENDATIONS

The Independent Board Committee, having taken into account the advice of Hantec, is of the view that the terms of the Century Lease Agreement, the New Lease Agreements and the Peking Founder Master Agreement are on normal commercial terms, fair and reasonable and in the interests of Founder and its shareholders as a whole and that the respective annual cap amounts are fair and reasonable so far as the Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the transactions contemplated under the agreements and the annual cap amounts.

The Board recommends the Shareholders to vote in favour of the special resolution to be proposed at the SGM in respect of the proposed amendments to the Bye-laws for the purpose of compliance with the CG Code.

GENERAL

Your attention is drawn to the letter from the Independent Board Committee, the letter from Hantec and the additional information set out in the appendix to this circular and the notice of the SGM.

Yours faithfully,
For and on behalf of the Board of
Founder Holdings Limited
Cheung Shuen Lung
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



(Incorporated in Bermuda with limited liability)

(Stock Code: 0418)

12 December 2005

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 12 December 2005 issued to the Shareholders (the “Circular”), of which this letter forms part. Unless the context otherwise requires, terms used in this letter have the same meanings as defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise you regarding the fairness and reasonableness of the terms of the Century Lease Agreement, the New Lease Agreements and the Peking Founder Master Agreement and the estimated annual caps. Hantec has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this regard.

Having taken into account the advice of Hantec, we consider that the terms of the Century Lease Agreement, the New Lease Agreements and the Peking Founder Master Agreement are on normal commercial terms, fair and reasonable and in the interests of Founder and its shareholders as a whole and that the respective annual cap amounts are fair and reasonable so far as the Shareholders are concerned. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the transactions contemplated under the agreements and the annual cap amounts.

We also draw the attention of the Independent Shareholders to (i) the letter from the Board, (ii) the letter from Hantec, and (iii) the appendix to the Circular.

Yours faithfully,

Hu Hung Lick, Henry Li Fat Chung Wong Lam Kit Yee
Independent Board Committee

** For identification purpose only*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Hantec to the Independent Board Committee and the Independent Shareholders in relation to the continuing connected transactions, which has been prepared for the purpose of inclusion in this circular:



Hantec Capital Limited

45th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

12 December 2005

*To the Independent Board Committee and the Independent Shareholders of
Founder Holdings Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the New Lease Agreements, the Century Lease Agreement, the Peking Founder Master Agreement and the estimated annual caps, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in this circular (the “**Circular**”) dated 12 December 2005 of the Company, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as ascribed to them in this Circular, unless the context otherwise requires.

The Group proposed to enter into with Peking Founder (i) the New Lease Agreements, (ii) the Century Lease Agreement, and (iii) the Peking Founder Master Agreement. Under the New Lease Agreements, Founder Electronics and Founder Order, both being wholly-owned subsidiaries of the Company, will lease from Peking Founder certain premises in Beijing, the PRC for a term of three years from 1 January 2006 to 31 December 2008. Under the Century Lease Agreement, PRC Century, a wholly-owned subsidiary of EC-Founder which in turn is an approximately 54.85% owned subsidiary of the Company, will lease from Peking Founder certain premises in Beijing, the PRC for a term of three years from 1 January 2006 to 31 December 2008. Under the Peking Founder Master Agreement, the EC-Founder Group will sell information hardware products to the Peking Founder Group for a term of three years from 1 January 2006 to 31 December 2008.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Peking Founder and its associates were interested in approximately 32.67% of the Company's issued share capital as at the Latest Practicable Date. Peking Founder is a connected person of the Company for the purpose of the Listing Rules. Transactions between Peking Founder and the Group (including the EC-Founder Group) will constitute connected transactions of the Group under the Listing Rules. As such, the transactions under the New Lease Agreements, the Century Lease Agreement and the Peking Founder Master Agreement constitute continuing connected transactions of the Company under Rule 14A.14 of the Listing Rules. As the aggregate annual amount payable under the New Lease Agreements and the Century Lease Agreement is not less than HK\$10 million and the consideration ratio under the Listing Rules is not less than 2.5% for the Company, the transactions under the New Lease Agreements and the Century Lease Agreement are subject to, among other things, approval of the Independent Shareholders at the SGM. As the annual amount of the Peking Founder Sales under the Peking Founder Master Agreement for each of the two years ending 31 December 2008 is not less than HK\$10 million and the consideration ratio under the Listing Rules is not less than 2.5% for the Company, transactions under the Peking Founder Master Agreement are therefore subject to, among other things, approval of the Independent Shareholders at the SGM. Peking Founder and its associates are required to abstain from voting at the SGM in respect of the relevant ordinary resolutions to approve the New Lease Agreements, the Century Lease Agreement, and the Peking Founder Master Agreement and the estimated annual caps.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Dr Hu Hung Lick, Henry, Mr Li Fat Chung and Ms Wong Lam Kit Yee, has been established to advise the Independent Shareholders regarding the fairness and reasonableness of the terms of the New Lease Agreements, the Century Lease Agreement, and the Peking Founder Master Agreement and the estimated annual caps. We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the New Lease Agreements, the Century Lease Agreement, the Peking Founder Master Agreement, and the estimated annual caps are fair and reasonable, whether they are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders how to vote in this regard.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR ADVICE

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular as provided by the Directors were true at the time they were made and continue to be true as at the date of the Circular, and there has been no material change thereof. We have also relied on our discussion with the Directors and the management of the Company regarding the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and the management of the Company in the Circular were reasonably made after due enquiry and careful consideration. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company.

The Directors collectively and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company and the Group, EC-Founder and the EC-Founder Group, Peking Founder and the Peking Founder Group, and their respective associates nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS TAKEN INTO ACCOUNT

I. Reasons for entering into the New Lease Agreements and the Century Lease Agreement

The Group is principally engaged in software development and systems integration relating to the media industry and certain other industries, and distribution of information hardware products in the PRC. The Group since December 1995 has been leasing premises from Peking Founder in Beijing, the PRC as its offices and research and development centre. The Group entered into the Lease Agreements with Peking Founder to lease from Peking Founder certain premises at Shangdi Founder Building, Zhongguancun Founder Building and Founder Building as offices, canteens and staff quarters of the Group. The Lease Agreements will expire on 31 December 2005. The Stock Exchange on 9 June 2003 granted to the Company a waiver from strict compliance with the disclosure and approval requirements under the Listing Rules in respect of the Lease Agreements for the three financial years ending 31 December 2005.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Directors consider it necessary to continue to lease office premises in Beijing, the PRC occupying floor areas which are considered to be adequate for the Group's daily operations. The Directors also consider 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. As such, the Group intends to enter into the New Lease Agreements and the Century Lease Agreement.

We noted that the total floor area under the Lease Agreements was approximately 22,580 sq. m. (which included approximately 23,077 sq. m. under the Lease Agreements and a subsequent reduction of approximately 497 sq. m. under a supplemental agreement to the Lease Agreements), while the total floor area under the New Lease Agreements and the Century Lease Agreement will be 19,249 sq. m., representing a reduction of approximately 3,331 sq. m.. The Directors attributed such reduction in the floor area mainly to (i) the exclusion of the floor area of 750 sq. m. leased by Beijing Founder International Co., Ltd., a previously 78.8% owned subsidiary of the Company which has now ceased to be a subsidiary of the Company; and (ii) the reduction in headcount and the downsizing of the operations of Founder Order in 2004 and 2005. In view of the business locations of the Group in Beijing, the PRC since December 1995 as well as the Lease Agreements, and taking into account the possible cost and time which may otherwise occurred to the Group in the case of relocation, we consider the New Lease Agreements and the Century Lease Agreement will be entered into in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

II. Major terms of the New Lease Agreements and the Century Lease Agreement

Rental and management fees

Under the New Lease Agreements, the Group will have to pay annual rental and management fees of RMB8,903,086.44 (equivalent to approximately HK\$8,560,660) for the premises at Shangdi Founder Building of approximately 14,806 sq. m., and annual rental and management fees of RMB3,229,819.29 (equivalent to approximately HK\$3,105,595) for the premises at Zhongguancun Founder Building of approximately 2,643 sq. m.. Under the Century Lease Agreement, the Group will have to pay annual rental and management fees of RMB1,806,750 (equivalent to approximately HK\$1,737,260) for the premises at Founder Building of approximately 1,800 sq. m..

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the Letter from the Board, the terms of the New Lease Agreements and the Century Lease Agreement were arrived at after arm's length negotiations between the parties involved. The New Lease Agreements and the Century Lease Agreement will be entered into in the ordinary and usual course of business of the Group. The Directors consider that the transactions under the New Lease Agreements and the Century Lease Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the annual caps for the leases are fair and reasonable.

We understand that an independent valuer, LCH (Asia-Pacific) Surveyors Limited, was engaged to consider the terms of the leases under the New Lease Agreements and the Century Lease Agreement. We have reviewed the valuation reports prepared by LCH (Asia-Pacific) Surveyors Limited dated 11 November 2005, which are of the view that each of the unit rental (inclusive of management fee) under the New Lease Agreements and the Century Lease Agreement is comparable to market rentals as at 11 November 2005 of similar properties in the locality and is fair and reasonable. We understand from LCH (Asia-Pacific) Surveyors Limited that in preparing their reports, they have conducted on-site visits to Shangdi Founder Building, Zhongguancun Founder Building and Founder Building, as well as market research on various premises in the same district of the three subject buildings. As such, we consider the rental and management fees to be on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Term

Under the New Lease Agreements and the Century Lease Agreement, the rental and management fees will be payable in cash quarterly in arrears, and the Group will not be required to pay deposits. As the rental and management fees will be payable in cash, we consider it in the interests of the Company and the Shareholders as a whole that the rental and management fees will be made in arrears as well as the exempted deposits. Besides, the Group will be entitled to continue the leases by giving at least two months' written notice to Peking Founder before the expiry of the New Lease Agreements and the Century Lease Agreement, which we also consider to be in the interests of the Company and the Shareholders as a whole because the Group will have stable premises for its business places and, if so desires, the Group maintains the flexibility to relocate its business places.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Annual caps

The respective annual caps for the New Lease Agreements and the Century Lease Agreement for each of the three years ending 31 December 2008 will be the amount of annual rental and management fees as set out in the New Lease Agreements and the Century Lease Agreement. Since the annual cap is reached at their respective annual rental and management fees under the New Lease Agreements and the Century Lease Agreement, which in turn are comparable to market level in the locality and are fair and reasonable as discussed above, we are of the view that the annual caps are fair and reasonable to the Independent Shareholders.

III. Reasons for entering into the Peking Founder Master Agreement

Information about the Group

The Company is an investment holding company, and the Group is principally engaged in software development and systems integration relating to the media industry and certain other industries, and distribution of information hardware products in the PRC.

According to the annual report of the Company for the year ended 31 December 2004 (“**Founder 2004 Annual Report**”), turnover of the distribution business of information products for the year increased by approximately 57% to approximately HK\$1,187 million from approximately HK\$757 million a year earlier, while its segment results for the year recorded a profit of approximately HK\$7.4 million compared to approximately HK\$6.9 million a year earlier. The management of the Company attributed the improvement in the performance of the distribution business to (i) increase in product range and suppliers, (ii) expansion of distribution network and (iii) tight control on operating costs, trade receivables and inventories.

Information about the EC-Founder Group

EC-Founder is an approximately 54.85% owned subsidiary of the Company. EC-Founder is an investment holding company, and the EC-Founder Group is principally engaged in the distribution of information hardware products in the PRC.

According to the annual report of EC-Founder for the year ended 31 December 2004 (“**EC-Founder 2004 Annual Report**”), the EC-Founder Group during the year was engaged in three business segments, namely distribution of information hardware products (“**Continuing Business**”), provision of software solutions and services, and electronic products (“**Discontinued Businesses**”). The EC-Founder Group disposed of the Discontinued Businesses during the year ended 31 December 2004, and recorded a significantly improved result for the year. The EC-Founder Group had audited turnover of approximately HK\$1,258 million for the year ended

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

31 December 2004 compared to approximately HK\$625 million (restated) for year 2003, of which approximately HK\$1,201 million was generated from the Continuing Business for year 2004 and approximately HK\$445 million (restated) for year 2003, or almost 2.7 times. The Continuing Business recorded a segmental profit of approximately HK\$7.4 million for the year ended 31 December 2004, up from approximately HK\$5.4 million of year 2003. The management of EC-Founder attributed the improvement in the performance of the Continuing Business to the continued expansion of distribution network in the PRC. Also stated in the EC-Founder 2004 Annual Report, the Continuing Business has gained the ranking of the EC-Founder Group up to the 6th place in 2004, from 7th place in 2003, among the top 100 enterprises in the distribution business in the PRC. As confirmed by the management of the Company, the ranking stated in the EC-Founder 2004 Annual Report is based on the ranking announced by 中國計算機報 (China Information World).

The software solutions and services business, one of the Discontinued Businesses, was mainly carried out by EC-Founder Co., Ltd., the entire equity interest of which was disposed of by the EC-Founder Group in December 2004 to the Peking Founder Group, upon which EC-Founder Co., Ltd. ceased to be a subsidiary of the EC-Founder Group. Before the disposal, EC-Founder Co., Ltd. had been purchasing information hardware products from the EC-Founder Group. During each of the two years ended 31 December 2004, EC-Founder Co., Ltd. purchased information hardware products of approximately RMB0.5 million and RMB1.1 million, respectively, from the EC-Founder Group.

Information about the Peking Founder Group

The Peking Founder Group is principally engaged in software development, hardware manufacture, medical, finance and traditional industry. As stated in the Letter from the Board, one of the businesses of the Peking Founder Group is the provision of software solutions and services, and 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 customers.

The Peking Founder Group in December 2004 acquired the entire equity interest in EC-Founder Co., Ltd. from the EC-Founder Group, upon which EC-Founder Co., Ltd. became a subsidiary of the Peking Founder Group and ceased to be a subsidiary of the EC-Founder Group. Before the transfer of interest in December 2004, EC-Founder Co., Ltd. had been engaged in the provision of software solutions and services, and the EC-Founder Group had been supplying information hardware products to EC-Founder Co., Ltd. After the transfer of interest, the EC-Founder Group has refrained from supplying products to EC-Founder Co., Ltd. because EC-Founder (and also the Company) will have to take steps to comply with the provisions governing

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

continuing connected transactions of the Listing Rules. As such, EC-Founder Co., Ltd. sourced information hardware products from other suppliers afterwards. The EC-Founder Group proposed to enter into the Peking Founder Master Agreement with Peking Founder to govern the terms of the Peking Founder Sales for a term of three years from 1 January 2006 to 31 December 2008.

During each of the two years ended 31 December 2004 and the ten months ended 31 October 2005, EC-Founder Co., Ltd. purchased information hardware products of approximately RMB7.7 million, RMB7.7 million and RMB7.4 million respectively, among which approximately RMB0.5 million, RMB1.1 million and nil were purchased from the EC-Founder Group.

Reasons for entering into the Peking Founder Master Agreement

The Directors consider that it is beneficial to the EC-Founder Group to supply information hardware products to the Peking Founder Group on normal commercial terms, thus broadening its customer base. The Directors consider that the transactions under the Peking Founder Master Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the estimated annual caps for the Peking Founder Sales are fair and reasonable.

As stated in the Letter from the Board, distribution of information hardware products is one of the principal businesses of the Group and is the principal business of the EC-Founder Group. As stated in the EC-Founder 2004 Annual Report, the distribution business of the EC-Founder Group mainly focused on the information technology products such as servers, workstations, data storage devices and networking products of various international brand names such as HP, IBM, Huawei 3COM, SUN, Netgear and Apple.

Given (i) the Peking Founder Group has purchased information hardware products from the EC-Founder Group and other suppliers for the past years, (ii) distribution of information hardware products is the principal business of the EC-Founder Group, and (iii) the Peking Founder Sales are sales of information technology products including desktop computer, laptop computer, server, router, and networking products, which are within the scope of products as set out in the EC-Founder 2004 Annual Report, we consider the entering into the Peking Founder Master Agreement is in line with the Group's business, will broaden the customer base of the Group, and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

IV. Major terms of the Peking Founder Master Agreement

Terms

The Peking Founder Master Agreement provides that the EC-Founder Group should provide information hardware products to the Peking Founder Group at terms determined with reference to the prices and credit terms at which such products are supplied by the EC-Founder Group on normal commercial terms in its ordinary and usual course of business to Independent Third Parties (the “**Independent Sales**”) in the local market and/or adjacent regions, or in the PRC, or 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 EC-Founder as a whole.

We consider that it is in the interests of the Company and the Shareholders as a whole if the Peking Founder Sales take reference to the Independent Sales on their prices and payment credits, and where none is available, the Peking Founder Sales will be agreed between the parties on arm’s length. In order to find the business pattern between the EC-Founder Group and EC-Founder Co., Ltd., we have compared the sales between them against the Independent Sales for the two years ended 31 December 2004. We noted that the unit sale price payable by EC-Founder Co., Ltd. to the EC-Founder Group for the two years ended 31 December 2004 was materially the same with the Independent Sales. We also understood from the Directors that EC-Founder Co., Ltd. usually settled payments to the EC-Founder Group on or within 30 days after product delivery, whereas the Independent Third Parties generally settled payments within 45 days. We consider that the historical sales of the EC-Founder Group to EC-Founder Co., Ltd. were no less favourable to the EC-Founder Group (and the Group) than those available from the Independent Third Parties. In view of the historical business pattern between the EC-Founder Group, EC-Founder Co., Ltd. and the Independent Third Parties, we consider the terms of the Peking Founder Master Agreement are on normal commercial terms, fair and reasonable so far as the Company and the Shareholders are considered as a whole.

Annual caps

The estimated annual cap for the Peking Founder Sales for each of the three years ending 31 December 2008 is RMB10.0 million, RMB11.0 million and RMB12.1 million respectively. As stated in the Letter from the Board, the estimated annual caps for the Peking Founder Sales are determined with reference to (i) the historical values of similar products purchased by the Peking Founder Group, (ii) the expected purchases from the EC-Founder Group estimated by the management of EC-Founder based on the market experience and knowledge of the management of EC-Founder and the discussions with Peking Founder, and (iii) EC-Founder’s estimates of the annual growth rate of the information technology business in the PRC for each of the two years ending 31 December 2008 of 10% based on market information available to it.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(i) *Historical values of similar products purchased by the Peking Founder Group*

Set out below is a summary of actual annual purchases by the Peking Founder Group (including EC-Founder Co., Ltd.) of information hardware products that were supplied by the EC-Founder Group or similar to those supplied by the EC-Founder Group for the two years ended 31 December 2004 and the ten months ended 31 October 2005, as well as the estimated purchases for the two months ending 31 December 2005:

	For the year ended 31 December 2003	For the year ended 31 December 2004	For the ten months ended 31 October 2005	For the two months ending 31 December 2005
Purchases by the Peking Founder Group (excluding EC-Founder Co., Ltd.) from the EC-Founder Group [#] (RMB million)	Nil	Nil	Nil	Nil
Purchases by EC-Founder Co., Ltd. from the EC-Founder Group (RMB million)	0.5	1.1	Nil	Nil
Purchases by EC-Founder Co., Ltd. from suppliers other than the EC-Founder Group ^{##} (RMB million)	Nil	Nil	4.8	0.3
Total purchases by the Peking Founder Group (including EC-Founder Co., Ltd.) from the EC-Founder Group and other suppliers ^{##} (RMB million)	0.5	1.1	5.1 ^{###}	

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

- # For the sake of illustration only, the Peking Founder Group here does not include EC-Founder Co., Ltd., irrespective of before and after the transfer of interest in EC-Founder Co., Ltd. in December 2004.*
- ## The purchases included the products purchased from suppliers other than the EC-Founder Group that are similar to those may be sourced from the EC-Founder Group.*
- ### The purchases include the actual purchases of approximately RMB4.8 million for the ten months ended 31 October 2005 and the estimated purchases of approximately RMB0.3 million for the two months ending 31 December 2005.*

In December 2004, the EC-Founder Group disposed of the entire equity interest in EC-Founder Co., Ltd. to the Peking Founder Group. Before the disposal, EC-Founder Co., Ltd. was a wholly-owned subsidiary of the EC-Founder Group, and purchases by EC-Founder Co., Ltd. from the EC-Founder Group did not constitute connected transactions of EC-Founder under the Listing Rules. After the disposal, EC-Founder Co., Ltd. became a subsidiary of Peking Founder, and purchases by EC-Founder Co., Ltd. from the EC-Founder Group would have become connected transactions of EC-Founder (and also the Company) under the Listing Rules and required compliance thereunder. The EC-Founder Group since the disposal has refrained from supplying products to EC-Founder Co., Ltd., as EC-Founder (and also the Company) will have to take steps to comply with the provisions governing continuing connected transactions in Chapter 14A of the Listing Rules when proceeding with such transactions. As such, EC-Founder Co., Ltd. purchased products from Independent Third Parties of approximately RMB4.8 million for the ten months ended 31 October 2005. As confirmed by the Directors, such purchases from Independent Third Parties would have been sourced from the EC-Founder Group if there were no such compliance concerns on continuing connected transactions under the Listing Rules.

(ii) The expected purchases from the EC-Founder Group

To the best understanding of the Directors, the Peking Founder Group has secured certain software solutions and services projects and is expecting additional sales from its customers for the year ending 31 December 2006. Based on the prior experiences of Peking Founder, the secured projects and expected sales will require approximately RMB10 million of information hardware products that are similar to the products that may be sourced from the EC-Founder Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have been provided with a list of such projects having secured by the Peking Founder Group for the year ending 31 December 2006, and copies of agreements for some of these secured projects. We have also been provided with information in relation to EC-Founder Co., Ltd.'s (the sole purchaser for the Peking Founder Sales) turnover for the first ten months of 2005 and the estimated turnover for the entire year ending 31 December 2005, as well as its purchases of information hardware products that are similar to those supplied by the EC-Founder Group during the respective period. After reviewing documents and information provided to us, in particular the ratios of EC-Founder Co., Ltd.'s purchases of information hardware products that are similar to those supplied by the EC-Founder Group over EC-Founder Co., Ltd.'s turnover during the respective period, we consider that the annual cap of RMB10 million for the Peking Founder Sales for the year ending 31 December 2006 is justifiable.

- (iii) *The estimated annual growth rate of 10% for each of the two years ending 31 December 2008*

The Directors applied an annual growth rate of 10% to the Peking Founder Sales for each of the two years ending 31 December 2008. To consider the fairness and reasonableness of such 10% annual growth rate, we have compared it with the information available from the public domains (including 中國電子行業投資信息網 (www.ceinet.gov.cn)) during the period from January 2005 to the Latest Practicable Date in relation to the overall information technology industry (“**IT industry**”) of the PRC. Since software development is one of the principal businesses of the Peking Founder Group, and since the Peking Founder Sales relate to information hardware products, our review of the PRC IT industry focused on the sectors of software products, IT services, and hardware products.

According to the information from the public domains, the PRC has become an important manufacture centre of global IT products, and is gradually becoming a research and development centre of the global IT industry. Among the PRC IT industry, software products and IT services were the spotlights in 2004, with sales of software products reaching approximately RMB48 billion representing an annual growth of approximately 19.9%, and IT services reaching approximately RMB68 billion representing an annual growth of approximately 26.0% compared with a year earlier. For the five-year period from 2005 to 2009, the markets of PRC software products and IT services are expected to continue to grow, at an annual compound growth rate of approximately 19.8% and 23.0% respectively. In addition, the information hardware products (including desktop personal computers, notebooks, printers, personal computer servers, network, and storage as mentioned in article we obtained from the public domain) will enjoy a compound

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

growth rate of approximately 12.8% for the coming five years. In view of the prevailing market conditions in the PRC software products, IT services and hardware products, we consider it is fair and reasonable to apply an annual growth factor of 10% to the Peking Founder Sales for each of the two years ending 31 December 2008.

In view of the above, we consider the annual caps proposed by the Directors are justifiable by taking reference to (i) historical values of similar products purchased by the Peking Founder Group, (ii) the expected purchases from the EC-Founder Group estimated by the management of EC-Founder based on the market experience and knowledge of the management of EC-Founder and the discussions with Peking Founder, and (iii) the estimated annual growth rate of information technology business in the PRC for each of the two years ending 31 December 2008 of 10%.

RECOMMENDATIONS

Having considered the principal factors and reasons set out above, we consider that the transactions under the New Lease Agreements, the Century Lease Agreement and the Peking Founder Master Agreement are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the annual cap amounts for the New Lease Agreements, the Century Lease Agreement and the Peking Founder Master Agreement are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the New Lease Agreements, the Century Lease Agreement, the Peking Founder Master Agreement and the relevant annual caps.

Yours faithfully,
For and on behalf of
Hantec Capital Limited
Kinson Li
Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, the Directors and the chief executive of the Company had the following interests or short positions in the shares, debentures or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange:

(a) Directors' interests in shares of the Company and any of its associated corporations

Long positions in ordinary shares of EC-Founder, an associated corporation of the Company under the SFO:

Name of Director	Number of ordinary shares held and nature of interest	Percentage of the associated corporation's issued share capital
	Directly beneficially owned	
Mr Cheung Shuen Lung	36,890,100	3.35%
Professor Xiao Jian Guo	8,703,000	0.79%
Professor Wei Xin	3,956,000	0.36%
Mr Zhang Zhao Dong	3,956,000	0.36%

In addition to the above, Mr Cheung Shuen Lung had non-beneficial personal equity interests in certain subsidiaries of the Company held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

(b) Directors' rights to acquire shares in the Company and any of its associated corporations

(i) Directors' interests in share options of the Company

Name of Director	Number of share options held	Date of grant of share options	Exercise period of share options	Exercise price of share options <i>HK\$</i>
Mr Cheung Shuen Lung	8,000,000	5.2.2004	6.2.2004 to 4.2.2014	1.104
Professor Xiao Jian Guo	8,000,000	5.2.2004	6.2.2004 to 4.2.2014	1.104
Professor Wei Xin	8,000,000	5.2.2004	6.2.2004 to 4.2.2014	1.104
Mr Zhang Zhao Dong	8,000,000	5.2.2004	6.2.2004 to 4.2.2014	1.104

(ii) Directors' interests in share options of EC-Founder

Name of Director	Number of share options held	Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$
Mr Cheung Shuen Lung	2,000,000	18.5.2001	18.5.2001 to 17.5.2011	0.45
	8,000,000	6.2.2004	7.2.2004 to 5.2.2014	0.381
Professor Wei Xin	2,000,000	18.5.2001	18.5.2001 to 17.5.2011	0.45
	8,000,000	6.2.2004	7.2.2004 to 5.2.2014	0.381
Mr Zhang Zhao Dong	8,000,000	6.2.2004	7.2.2004 to 5.2.2014	0.381

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interest or short position in the securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2004, being the date to which the latest published audited consolidated accounts of the Company were made up.

No Director was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

As at the Latest Practicable Date, none of the Directors and his/her associates had any interests which competed or was likely to compete, either directly or indirectly, with the Group's business.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors and the chief executive of the Company, the following corporation (not being a Director or the chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name	Number of ordinary shares held	Percentage of the Company's issued share capital
北京北大資產經營有限公司 (Note 1)	367,179,610	32.67%
Peking Founder	367,179,610	32.67%

Notes:

- (1) 北京北大資產經營有限公司 was deemed to be interested in the 367,179,610 Shares under the SFO by virtue of its interest in Peking Founder.
- (2) The following Directors are directors/employees of the corporation which had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Mr Cheung Shuen Lung is an executive director of Peking Founder. Professor Xiao Jian Guo is an executive director and the Chief Technical Officer of Peking Founder. Professor Wei Xin is the Chairman of Peking Founder. Mr Zhang Zhao Dong is the Vice-Chairman and President of Peking Founder. Mr Xia Yang Jun is a Vice-President of Peking Founder.

As at the Latest Practicable Date, the following corporations (not being a Director or the chief executive of the Company) were, directly or indirectly, interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the following subsidiaries of the Company:

Name of subsidiary	Name of shareholder	Percentage of shareholding
Founder Searchage Technology Limited	Webforce Limited	30%
Founder Information Ltd.	吉呈科技股份有限公司	26.32%
Hope Information Technology Co., Ltd.	中央日報股份有限公司	49.05%

Save as disclosed herein, the Directors and the chief executive of the Company were not aware of any person (other than a Director or the chief executive of the Company or his/her associates or a member of the Group) who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital as at the Latest Practicable Date.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any other member of the Group which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

5. EXPERTS

Hantec is a licensed corporation to carry out Types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activity for the purposes of the SFO.

LCH (Asia-Pacific) Surveyors Limited is a firm of chartered surveyors in Hong Kong with qualified valuers on the "List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers" published by the Hong Kong Institute of Surveyors.

As at the Latest Practicable Date, none of Hantec or LCH (Asia-Pacific) Surveyors Limited was interested in the securities of any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of Hantec or LCH (Asia-Pacific) Surveyors Limited had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2004, being the date to which the latest published audited consolidated accounts of the Company were made up.

Each of Hantec and LCH (Asia-Pacific) Surveyors Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or opinion and references to its name in the form and context in which they appear.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2004, being the date to which the latest published audited consolidated accounts of the Company were made up.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors was pending or threatened against the Company or any of its subsidiaries.

8. PROCEDURES TO DEMAND A POLL

The following is the procedure for demanding a poll by Shareholders in general meeting of the Company:

The existing Bye-law 70 of the Bye-Laws sets out the procedure by which Shareholders may demand a poll:

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is demanded (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) by:

- (i) the chairman of the meeting; or
- (ii) at least three Shareholders present in person or by a duly authorised corporate representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) any Shareholder or Shareholders present in person or by a duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (iv) any Shareholder or Shareholders present in person or by a duly authorised corporate representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Unless a poll be so demanded and the demand is not withdrawn, a declaration by the chairman of the meeting that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.

9. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection at the office of the Company in Hong Kong at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong during normal business hours on any weekday (public holidays excluded) from the date of this circular up to and including 4 January 2006:

- (a) the Century Lease Agreement;
- (b) the New Lease Agreements;
- (c) the Peking Founder Master Agreement;
- (d) the letter from the Independent Board Committee, the text of which is set out on page 17 of this circular;
- (e) the letter from Hantec, the text of which is set out on pages 18 to 30 of this circular;
- (f) the letters dated 11 November 2005 from LCH (Asia-Pacific) Surveyors Limited containing its opinion referred to in the letter from the Board;
- (g) the letters of consent referred to in the section headed “Experts” above; and
- (h) the Bye-laws.

NOTICE OF SGM



(Incorporated in Bermuda with limited liability)

(Stock Code: 0418)

NOTICE IS HEREBY GIVEN that a special general meeting of Founder Holdings Limited (the “Company”) will be held at 10:30 a.m. on Wednesday, 4 January 2006 at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

1. **“THAT** the Century Lease Agreement and the New Lease Agreements (as defined in the circular of the Company dated 12 December 2005 (the “Circular”) of which the notice of this meeting forms part, a copy of each of which was marked “A1”, “A2” and “A3” and has been produced to the meeting and signed by the chairman of the meeting for the purposes of identification) proposed to be entered into between certain subsidiaries of the Company and Peking University Founder Group Company Limited and its subsidiary be and are hereby approved; and the proposed annual caps in relation to the transactions contemplated under the Century Lease Agreement and the New Lease Agreements for each of the three financial years ending 31 December 2006, 2007 and 2008 as set out in the Circular be and are hereby approved; and any one director of the Company be and is hereby authorised on behalf of the Company to execute all such documents, in such final form or with such amendments as that director may deem appropriate, and to do all such acts or things, as he/she may in his/her absolute discretion consider necessary or desirable, to give effect to the Century Lease Agreement and the New Lease Agreements and the transactions contemplated therein.”
2. **“THAT** the Peking Founder Master Agreement (as defined in the Circular of which the notice of this meeting forms part, a copy of which was marked “B” and has been produced to the meeting and signed by the chairman of the meeting for the purposes of identification) proposed to be entered into between EC-Founder (Holdings) Company Limited and Peking University Founder Group Company Limited be and is hereby approved; and the proposed annual caps in relation to the transactions contemplated under the Peking Founder Master Agreement for each of the three financial years ending 31 December 2006, 2007 and 2008 as set out in the Circular

** For identification purpose only*

NOTICE OF SGM

be and are hereby approved; and any one director of the Company be and is hereby authorised on behalf of the Company to execute all such documents, in such final form or with such amendments as that director may deem appropriate, and to do all such acts or things, as he/she may in his/her absolute discretion consider necessary or desirable, to give effect to the Peking Founder Master Agreement and the transactions contemplated therein.”

SPECIAL RESOLUTION

3. **“THAT** the Bye-laws of the Company be amended in the following manner:

(A) Bye-law 70

(a) by inserting in the first paragraph after the words “decided on a show of hands, unless”, the following words:

“voting by way of a poll is required by the rules of the Designated Stock Exchange or”;

(b) by deleting the full-stop at the end of Bye-law 70(iv) and replacing therewith a semi-colon and the word “or” immediately thereafter and by inserting the following as new Bye-law 70(v):

“70.(v) by any Director or Directors (including the chairman of a general meeting of the Company) who, individually or collectively, hold proxies in respect of shares representing 5 per cent. or more of the total voting rights at such meeting and if on a show of hands such meeting votes in the opposite manner to that instructed in those proxies.”

(B) By deleting the existing Bye-law 71 in its entirety and substituting therefor the following:

“71. If a poll is duly demanded, the result of a poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The chairman of the meeting shall count and record all proxy votes properly, and announce the result of the poll, in accordance with the requirements of the Designated Stock Exchange.”

(C) By deleting the existing Bye-law 99 in its entirety and substituting therefor the following:

“99. Notwithstanding any other provisions in the Bye-laws, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire

NOTICE OF SGM

from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement at least once every three years. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day shall (unless they otherwise agree between themselves) be determined by lot. A retiring Director shall be eligible for re-election and shall retain office until the close of the meeting at which he retires. The Company at any general meeting at which any Directors retire may fill the vacated offices.”

- (D) By adding “the next following general meeting of the Company (in the case of filling a casual vacancy) or until” after the words “Any Director so appointed shall hold office only until” and adding “(in the case of an addition to their member)” after “the next following annual general meeting of the Company” in the existing Bye-law 102(B).”

By order of the Board
Founder Holdings Limited
Tang Yuk Bo, Yvonne
Company Secretary

Hong Kong, 12 December 2005

Notes:

- (1) *Any shareholder entitled to attend and vote at the meeting is entitled to appoint another person as his/her proxy to attend and vote in his/her stead. A shareholder who is holder of two or more shares may appoint more than one proxy to attend and vote in his/her stead. A proxy needs not be a shareholder of the Company. Completion and return of the form of proxy will not preclude a shareholder from attending the meeting and voting in person. In such event, his/her form of proxy will be deemed to have been revoked.*
- (2) *Where there are joint holders of any share, any one of such joint holders may vote at the meeting, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the meeting, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.*
- (3) *In order to be valid, the instrument appointing a proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority must be deposited at the principal place of business of the Company in Hong Kong at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong not less than 48 hours before the time for holding the meeting or any adjournment thereof.*
- (4) *In accordance with Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), Peking University Founder Group Company Limited, the controlling shareholder of the Company, and its associates (as defined in the Listing Rules) are required to abstain from voting on all of the above ordinary resolutions.*
- (5) *The ordinary resolutions as set out above will be determined by way of a poll.*



FOUNDER HOLDINGS LIMITED
方正控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 0418)

FORM OF PROXY FOR SPECIAL GENERAL MEETING

I/We ¹, _____ of _____
being the registered holder(s) of ² _____ share(s) of HK\$0.10 each in the capital of Founder Holdings Limited (the "Company") hereby appoint ³ the Chairman of the meeting or _____
of _____
or failing him _____ of _____
as my/our proxy to vote for me/us on my/our behalf at the Special General Meeting of the Company to be held at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong on Wednesday, 4 January 2006 at 10:30 a.m. and at any adjournment thereof on the undermentioned resolutions referred to in the notice convening the Special General Meeting, or if no such indication is given, as my/our proxy thinks fit.

	FOR ⁴	AGAINST ⁴
ORDINARY RESOLUTION 1		
ORDINARY RESOLUTION 2		
SPECIAL RESOLUTION 3		

Signature(s) ⁵: _____

Date: _____

Notes:

1. Full name(s) and address(es) to be inserted in **BLOCK CAPITALS**.
2. Please insert the number of shares registered in your name(s). If no number is inserted, this form of proxy will be deemed to relate to all the shares in the capital of the Company registered in your name(s).
3. Any shareholder entitled to attend and vote at the Special General Meeting is entitled to appoint another person as his/her proxy to attend and vote in his/her stead.
4. **IMPORTANT: IF YOU WISH TO VOTE FOR THE RESOLUTION, TICK THE BOX MARKED "FOR". IF YOU WISH TO VOTE AGAINST THE RESOLUTION, TICK THE BOX MARKED "AGAINST"**. Failure to tick either box will entitle your proxy to cast your vote or abstain at his/her discretion. Your proxy will also be entitled to vote at his/her discretion on any resolution properly put to the said meeting other than that referred to in the notice convening the meeting.
5. This form of proxy must be signed by the appointor, or his/her attorney duly authorised in writing, or if such appointor be a corporation, either under its common seal or under the hand of an officer, attorney or other person so authorised.
6. Where there are joint holders of any share, any one of such joint holders may vote at the meeting, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the meeting, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
7. To be valid, this form of proxy together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited at the Company's principal place of business in Hong Kong at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong not later than 48 hours before the time of the meeting or any adjournment thereof.
8. Any alterations made in this form of proxy should be initialled by the person who signs it.
9. A shareholder who is holder of two or more shares may appoint more than one proxy to attend and vote in his/her stead. A proxy needs not be a shareholder of the Company. Completion and return of the form of proxy will not preclude a shareholder from attending the meeting and voting in person. In such event, his/her form of proxy will be deemed to have been revoked.
10. In accordance with Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Peking University Founder Group Company Limited, the controlling shareholder of the Company, and its associates (as defined in the Listing Rules) are required to abstain from voting on all of the above ordinary resolutions.
11. The ordinary resolutions as set out above will be determined by way of a poll.

* For identification purpose only