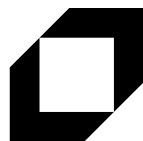

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold all your shares in **Founder Holdings Limited**, you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser.

This circular does not constitute an offer of, nor is it calculated to invite offers for, shares or other securities of Founder Holdings Limited.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



方正集团

FOUNDER HOLDINGS LIMITED

(Incorporated in the Bermuda with limited liability)

MAJOR TRANSACTION

**Disposal of a 70% interest in
Founder Data Corporation International Limited to
Management Investment & Technology (Holdings) Limited**

Financial adviser to Founder Holdings Limited



BOCI Asia Limited

A letter from the Board is set out on pages 10 to 30 of this circular. A notice convening a special general meeting of Founder Holdings Limited to be held at Unit 1408, 14th Floor, Cable TV Tower, No. 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong at 11:00 a.m. on Monday, 25th September, 2000 is set out on pages 43 to 44 of this circular. Whether or not you are able to attend the meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time of the meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

9th September, 2000

CONTENTS

The Company has not authorised anyone to provide you with information that is different from what is contained in this circular.

Any information or representation not contained in this circular must not be relied on by you as having been authorised by the Company, BOCI Asia, the directors of any of them, or any other person involved in the Sale and Purchase Agreement, the Disposal Agreement, the Management Agreement, the Escrow Agreement, the Equity Transfer Agreement, the Placing Agreements and the Subscription Agreements.

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DEFINITIONS

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

“AdTargeting”	Beijing AdTargeting Inc., a wholly foreign owned enterprise established in the PRC whose registered capital is beneficially owned as to 19.9% by Yahoo! through Datacom and as to 80.1% by Founder Data
“Advertising Sales Representative Agreement”	the agreement dated 29th June, 2000, between Yahoo! Holdings (Hong Kong) Limited (a wholly owned subsidiary of Yahoo!), Founder Electronics and AdTargeting, under which AdTargeting has been appointed the on-line advertising agent of the website of yahoo.com.cn for a term of twelve years from 1st March, 2000 to 28th February, 2012
“Announcement”	the joint announcement dated 24th May, 2000 issued by the Company and MIT in relation to the Transactions
“associates”	has the same meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“BOCI Asia”	BOCI Asia Limited, a registered dealer registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong) and the financial adviser to the Company
“Company” or “Founder”	Founder Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange, whose controlling shareholders are independent of and not connected with the directors, chief executives or substantial shareholders of MIT or of any of its subsidiaries or any of their respective associates
“Completion”	completion of the Sale, the Disposal, the Equity Transfer, the Placing and the Subscriptions
“concert parties”	has the meaning ascribed to it under the Takeovers Code
“Conditions”	the conditions which must be satisfied or waived before completion of the Sale as set out under the heading “Conditions of the Sale and Purchase Agreement” in the section headed “THE SALE AND PURCHASE AGREEMENT” in the “LETTER FROM THE BOARD”.
“Consideration Shares”	439,560,000 new Shares to be issued to the Vendors in satisfaction of the consideration for the Sale

DEFINITIONS

“Datacom”	Datacom Developments Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Yahoo!, which directly owns a 19.9% interest in AdTargeting
“Deposited Shares”	the 72,000,000 Shares to be deposited by Ricwinco under the Escrow Agreement
“Directors”	director(s) of the Company
“Disposal”	the disposal of the entire issued share capital of MITI and the assignment of the interest in the indebtedness due to MIT by the MITI Group to Ricwinco as at completion of the Disposal Agreement pursuant to the Disposal Agreement
“Disposal Agreement”	the agreement dated 17th May, 2000 entered into between MIT and Ricwinco for the Disposal
“Enlarged Group”	MIT and its subsidiaries immediately following Completion, including the Yung Wen Group, the MITC Group, the Founder Data Group and Datacom but excluding the MITI Group
“Enlarged Issued Share Capital”	the issued ordinary share capital of MIT immediately following the Completion
“Equity Transfer”	the transfer of a 19.9% interest in AdTargeting to be effected by the sale of its 100% interest in Datacom by Yahoo! to MIT pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the agreement dated 17th May, 2000 entered into between Yahoo!, MIT and Founder Electronics pursuant to which Yahoo! will sell to MIT all the issued shares in Datacom and any outstanding shareholder loans owed by Datacom as at completion of such agreement and MIT will issue the Equity Transfer Shares to Yahoo! in satisfaction of the consideration for the purchase
“Equity Transfer Shares”	93,240,000 new Shares to be issued at HK\$1.00 per Share to Yahoo! in satisfaction of the consideration for the Equity Transfer Agreement
“Escrow Agreement”	the escrow agreement dated 17th May, 2000 entered into between Ricwinco, MIT and an escrow agent, BOCI-Prudential Trustee Limited, which will hold the Deposited Shares in escrow in accordance with such agreement

DEFINITIONS

“Executive”	the Executive Director of the Corporate Finance Division of the SFC or his delegates
“F2 Consultant”	F2 Consultant Limited, a company incorporated in the British Virgin Islands holding a registered 14.76% shareholding in Founder Data as nominee on behalf of the directors of Founder Data acting in their capacity as the trustees of a discretionary trust for the benefits of the employees of the Founder Data Group
“Founder Data”	Founder Data Corporation International Limited, a company incorporated in the British Virgin Islands and a 70% owned subsidiary of Founder Electronics, in which F2 Consultant has a 14.76% registered shareholding with the Other Founder Data Shareholders collectively holding the remaining interest
“Founder Data Group”	the group of companies which consists of Founder Data and its subsidiaries namely an 80.1% interest in AdTargeting, a 100% interest in Founder EC-Media Limited, a 100% interest in Founder EC-Tech Limited and a 60% interest in Founder E-Town Limited
“Founder Electronics”	Founder Electronics (HK) Limited, a company incorporated in Hong Kong which is a 70% shareholder of Founder Data and a wholly-owned subsidiary of the Company
“Founder Subscription”	the subscription by Founder of 16,000,000 new Shares (being one of the Subscriptions)
“Group” or “Founder Group”	the Company, its subsidiaries and associated companies
“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	4th September, 2000 being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Agreement”	the agreement dated 17th May, 2000 entered into between MIT and Ricwinco for the management of the Yung Wen Group and the MITC Group and for the Possible Disposal

DEFINITIONS

“Management Arrangement”	the management arrangement entered into between MIT and Ricwinco under the Management Agreement
“MIT”	Management Investment & Technology (Holdings) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“MIT Group”	MIT and its subsidiaries (excluding the Yung Wen Group and the MITI Group)
“MITC”	Management Investment & Technology Company Limited (or MIT Holdings Limited, a company incorporated to hold the entire issued ordinary share capital in Management Investment & Technology Company Limited), a wholly-owned subsidiary of MIT engaged in the design, manufacturing and marketing of weighing scales
“MITC Group”	all of those companies which are subsidiaries of MIT except (i) the MITI Group and (ii) the Yung Wen Group before the Transaction Completion Date
“MITC Opening Net Worth”	audited consolidated net asset value of the MITC Group as at the Transaction Completion Date
“MITI”	Management Investment & Technology International Inc., a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of MIT
“MITI Group”	MITI, its subsidiaries and associated companies as at the Transaction Completion Date
“Mr. Cheung”	Mr. Cheung Shuen Lung, a director of the Company
“Mr. Yung”	Mr. Richard Chih Shin Yung, a director and an indirect controlling shareholder of MIT
“Other Founder Data Shareholders”	Mr. Cheung, Zhang Zhao Dong (a director of the Company), Wei Xin (a director of the Company), Lei Hon Sang (a director of the Company), Xiao Jian Guo and Jiang Bi Jin who respectively hold 4.98%, 0.9%, 0.9%, 4.98%, 1.98% and 1.5% shareholding interests in Founder Data, all of whom are independent of and not connected with the directors, chief executives or substantial shareholders of MIT or any of its subsidiaries or any of their respective associates

DEFINITIONS

“Outstanding Consideration Payments”	the payments to be made in respect of the outstanding consideration payable by Ricwinco to MIT pursuant to the Disposal Agreement
“Placing”	the placing of 75,560,000 Shares in aggregate at a price of HK\$1.00 per Share pursuant to the Placing Agreements
“Placing Agreements”	six agreements dated 17th May, 2000 for the Placing entered into between MIT, BOCI Asia and the respective placees under the Placing
“Placing Shares”	75,560,000 new Shares in aggregate to be issued at HK\$1.00 per Share pursuant to the Placing Agreements
“Possible Disposal”	the possible sale by MIT to Ricwinco of its interests in the entire issued share capital of Yung Wen and its interests in the indebtedness owed to MIT by the Yung Wen Group pursuant to the Management Agreement
“PRC” or “China”	the People’s Republic of China
“Ricwinco”	Ricwinco Investment Limited (a company incorporated in Hong Kong), the controlling shareholder of MIT (currently holding an approximately 54% shareholding interest) and beneficially wholly-owned by Mr. Yung
“Sale”	the sale of 100% of the issued share capital of Founder Data by the Vendors to MIT pursuant to the Sale and Purchase Agreement
“Sale and Purchase Agreement”	the conditional sale and purchase agreement entered into between the Vendors, MIT and the Company dated 17th May, 2000 relating to the Sale
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	share(s) of HK\$0.10 each in the share capital of MIT
“Shareholder(s)”	holder(s) of share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreements”	two agreements both dated 17th May, 2000 for the Subscriptions entered into by MIT and BOCI Asia with the Company and Mr. Cheung, respectively
“Subscription Shares”	31,000,000 new Shares to be issued at HK\$1.00 per Share pursuant to the Subscription Agreements

DEFINITIONS

“Subscriptions”	the subscription of an aggregate number of 31,000,000 new Shares by the Company and Mr. Cheung at HK\$1.00 per Share pursuant to the Subscription Agreements
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Transaction Completion Date”	the date on which the Sale, the Disposal, the Equity Transfer, the Placing and the Subscriptions will be completed pursuant to the terms of the Sale and Purchase Agreement, the Disposal Agreement, the Equity Transfer Agreement, the Placing Agreements and the Subscription Agreements, respectively
“Transactions”	the transactions contemplated under the Sale and Purchase Agreement, the Subscription Agreements, the Disposal Agreement, the Management Agreement, the Escrow Agreement, the Equity Transfer Agreement and the Placing Agreements, respectively
“US\$”	United States dollars
“Vendors”	Founder Electronics, F2 Consultant and the Other Founder Data Shareholders
“Whitewash Waiver”	a waiver from a general offer obligation under the Takeovers Code pursuant to Note 1 of the Notes on dispensations from Rule 26 of the Takeovers Code
“Yahoo!”	Yahoo! Inc., a United States corporation incorporated in the State of Delaware whose shares are listed on NASDAQ and an independent third party of MIT
“Yung Wen”	Yung Wen Investment & Finance Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of MIT
“Yung Wen Group”	Yung Wen, its subsidiaries and associated companies as at completion of the Possible Disposal
“Yung Wen Opening Net Worth”	audited consolidated net asset value of the Yung Wen Group as at the Transaction Completion Date

Unless otherwise specified in this circular, amounts denominated in US\$ have been translated, for the purpose of illustration only, into HK\$ at a rate of HK\$7.80 = US\$1.00. However, no representation is made that any amount in US\$ or HK\$ could have been or could be converted at the above rate or any other rates or at all.

EXPECTED TIMETABLE

Latest time for lodging the forms of proxy

for the Special General Meeting 11:00 a.m. on Saturday, 23rd September, 2000

Special General Meeting 11:00 a.m. on Monday, 25th September, 2000

Announcement of results of Special General Meeting

to appear in newspapers on Tuesday, 26th September, 2000

Expected date of completion of the Transactions (*Note*) on or before 30th September, 2000

Note: Completion is conditional upon the fulfilment of various conditions, as detailed in the “LETTER FROM THE BOARD” below.

PARTIES INVOLVED

Financial adviser to the Company

BOCI Asia Limited
35th Floor, Bank of China Tower
1 Garden Road
Hong Kong

Legal advisers to the Company

as to Hong Kong law
Chao and Chung
26th Floor, Asia Pacific Finance Tower
Citibank Plaza
3 Garden Road
Hong Kong

as to PRC law
Commerce & Finance Law Offices
714, Huapu International Plaza
19 Wai Chao Avenue
Beijing 10020
PRC

Auditors of the Company

Ernst & Young
15th Floor, Hutchison House
10 Harcourt Road
Central
Hong Kong

Business valuer for the Founder Data Group

Sallmanns (Far East) Limited
15th Floor, Trinity House
165-171 Wanchai Road
Wanchai
Hong Kong

CORPORATE INFORMATION

**Registered office of the Company
in Bermuda**

Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

**Head office and principal place of
business of the Company**

United 1408, 14th Floor
Cable TV Tower
No. 9 Hoi Shing Road
Tsuen Wan
New Territories
Hong Kong

Company secretary of the Company

Mr. Ho Yui Pok ACA, AHKSA

**Share registrar and
transfer office of the Company
in Bermuda**

Butterfield Corporate Services Limited
Rosebank Centre
14 Bermudiana Road
Hamilton
Bermuda

**Branch share registrar and
transfer office of the Company
in Hong Kong**

Central Registration Hong Kong Limited
Suite 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

LETTER FROM THE BOARD



方正集团

FOUNDER HOLDINGS LIMITED

(Incorporated in the Bermuda with limited liability)

Executive Directors:

Professor Wang Xuan
Mr. Cheung Shuen Lung
Mr. Zhang Zhao Dong
Professor Wei Xin
Mr. Lei Hon Sang
Mr. Lo Siu Yu

Head office and principal place of business:

Unit 1408, 14th Floor
Cable TV Tower
No.9 Hoi Shing Road
Tsuen Wan
New Territories
Hong Kong

Independent non-executive Directors:

Dr. Hu Hung Lick, Henry
Mr. Li Fat Chung

Registered office:

Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

9th September, 2000

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

Disposal of a 70% interest in

Founder Data Corporation International Limited to Management Investment & Technology (Holdings) Limited

1. INTRODUCTION

The Board announced on 24th May, 2000, amongst other things, that (i) the Sale and Purchase Agreement was entered into between Founder Electronics, F2 Consultant, the Other Founder Data Shareholders and MIT with the Company joined as a party to provide certain undertakings (as further described in the section “THE SALE AND PURCHASE AGREEMENT” below); and (ii) the Company and Mr. Cheung entered into the Subscription Agreements with MIT to subscribe for 16,000,000 new Shares and 15,000,000 new Shares, respectively.

Pursuant to the Sale and Purchase Agreement, subject to satisfaction or waiver of the relevant conditions, Founder Electronics, F2 Consultant and the Other Founder Data Shareholders will dispose their entire interests in Founder Data to MIT. The consideration amounts to HK\$439,560,000 and is to be satisfied by the issuance of the Consideration Shares. Upon Completion, Founder Electronics, F2 Consultant and Other Founder Data Shareholders will be allotted 307,690,000 Shares, 64,881,100 Shares and 66,988,900 Shares (together comprising the Consideration Shares), respectively.

LETTER FROM THE BOARD

The Sale constitutes a major transaction for the Company under the Listing Rules. The purpose of this circular is to give Shareholders further information on the Sale.

2. THE SALE AND PURCHASE AGREEMENT

Date

17th May, 2000

Parties

- (1) Vendors: Founder Electronics, F2 Consultant and the Other Founder Data Shareholders
- (2) Purchaser : MIT
- (3) the Company (which joined as a party to provide undertakings to MIT (i) as to the carrying on of certain software and internet business after the Transaction Completion Date (as further described below); and (ii) to procure that Founder Electronics complies with its obligations under the Sales and Purchase Agreement)

The Sale

The Vendors will dispose of the entire issued share capital of Founder Data to MIT.

Consideration

The consideration for the Sale amounts to HK\$439,560,000 which was determined on the basis of arm's length negotiations with reference to the future prospects and the potential of the businesses of the Founder Data Group. The consideration is to be satisfied by the issue of the Consideration Shares to the Vendors or their respective nominees by MIT. Sallmanns (Far East) Limited, an independent business valuer, has performed a valuation on the Founder Data Group as at 17th May, 2000. Pursuant to such valuation, the value of the business and assets of the Founder Data Group as contemplated under the Sale and Purchase Agreement is assessed to be about US\$62 million (equivalent to approximately HK\$483.6 million), against which the consideration of the Sale represents a 9.1% discount. The valuation report on the Founder Data Group prepared by Sallmanns is set out in Appendix II to this circular.

Consideration Shares

The Consideration Shares, when issued, will rank *pari passu* in all respects with the Shares then in issue including the right to receive any dividend declared, made or paid on and after Completion. The Consideration Shares represent (i) about 242.58% of the existing issued share capital of MIT; (ii) about 61.56% of the issued share capital of MIT as enlarged by the issuance of the Consideration Shares and the Equity Transfer Shares but before the issuance of Shares under the proposed Placing and the Subscriptions; and (iii) about 53.57% of the Enlarged Issued Share Capital.

LETTER FROM THE BOARD

The issue price of HK\$1.00 per Consideration Share represents (i) a discount of about 28.6% to the closing price of HK\$1.40 per Share as quoted on the Stock Exchange as at 4th May, 2000, being the last day on which the Shares were traded on the Stock Exchange prior to the issue of the Announcement; (ii) a discount of about 0.6% to the average closing price of HK\$1.006 per Share as quoted on the Stock Exchange from 18th April, 2000 to 4th May, 2000, being the last ten trading days for the Shares prior to the issue of the Announcement; (iii) a premium of about 5.4% to the audited consolidated net asset value of MIT as at 31st December, 1998 of approximately HK\$0.949 per Share; and (iv) a discount of about 4.9% to the audited consolidated net asset value of MIT as at 31st December, 1999 of approximately HK\$1.051 per Share.

Conditions of the Sale and Purchase Agreement

Completion of the Sale and Purchase Agreement is conditional upon, inter alia:

- (i) if dealings in the Shares are required to be suspended following the execution of the Sale and Purchase Agreement, MIT obtaining written confirmation from the Stock Exchange that the application for a lifting of such suspension will not be treated by the Stock Exchange as if it were an application for listing from a new applicant;
- (ii) completion of the formation of the corporate structure of the Founder Data Group as contemplated under the Sale and Purchase Agreement;
- (iii) completion to the satisfaction of MIT of its due diligence review of the corporate status, the business and the financial conditions of the Founder Data Group;
- (iv) completion to the satisfaction of the Vendors of their due diligence review of the corporate status, the business and the financial conditions of the MIT Group;
- (v) approval by the Shareholders at a duly convened and held general meeting of the Company of the sale by Founder Electronics of its shareholding in Founder Data to MIT in consideration of an issue of 307,690,000 Consideration Shares (being part of the Consideration Shares, and being approximately proportionate to the percentage shareholding of Founder Electronics in Founder Data) contemplated under the Sale and Purchase Agreement;
- (vi) the passing of an ordinary resolution by the shareholders of MIT approving the increase in the authorised share capital of MIT from HK\$50,000,000 to HK\$300,000,000;
- (vii) approval by the independent shareholders of MIT at a duly convened and held general meeting of MIT of (a) the acquisition of the entire issued share capital of Founder Data by MIT; (b) allotment of the Consideration Shares to the Vendors (or as each of them may direct) in such numbers approximately proportionate to their respective shareholdings in Founder Data; and (c) all other transactions contemplated under the Sale and Purchase Agreement;
- (viii) approval by the independent shareholders of MIT at a duly convened and held general meeting of MIT of the transactions contemplated under the Disposal Agreement and the Management Agreement;
- (ix) the passing of an ordinary resolution taken on a poll by the shareholders of MIT who are not interested in the Sale and Purchase Agreement by an independent vote (within the meaning of Note 1 of the Notes on dispensation from Rule 26 of the Takeovers Code or as may be required by the Executive) approving a waiver of the obligation on Founder Electronics, F2 Consultant and the Other Founder Data Shareholders or any of them and parties acting in concert with them to make a mandatory offer for all the Shares under Rule 26 of the Takeovers Code as a result of the issue of the Consideration Shares to the Vendors, and the Executive granting such a waiver;

LETTER FROM THE BOARD

- (x) the Executive having given his consent to the disposal by MIT to Ricwinco of shares in MITI and indebtedness due from the MITI Group pursuant to the Disposal Agreement and (upon satisfaction of certain conditions) of shares in Yung Wen pursuant to the Management Agreement under Rule 25 of the Takeovers Code and the passing of an ordinary resolution taken on a poll by the shareholders of MIT who are not involved in or interested in the transactions, approving the said disposals as required under Note 4 to Rule 25 of the Takeovers Code;
- (xi) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Consideration Shares;
- (xii) (where required) the Bermuda Monetary Authority granting its permission to the issue and allotment of the Consideration Shares;
- (xiii) all the warranties given by the Vendors in the Sale and Purchase Agreement being true and correct in all material respects as at the Transaction Completion Date by reference to the facts and circumstances subsisting as at that date;
- (xiv) all the warranties given by MIT in the Sale and Purchase Agreement being true and correct in all material respects as at the Transaction Completion Date by reference to the facts and circumstances subsisting as at that date, including a warranty by MIT that its consolidated net asset value (a) as at 31st December, 1999 as shown in the financial statements of MIT for the year ended 31st December, 1999 shall have been audited and include an unqualified auditors' report thereon, and (b) as at the Transaction Completion Date shall not be materially less than HK\$185 million; and
- (xv) the completion of the Disposal Agreement taking place contemporaneously with the completion of the Sale and Purchase Agreement.

The Vendors may waive condition (ix) and MIT may waive condition (ii). Since allotment of the Consideration Shares to the Vendors without fulfilment of condition (ix) would trigger an obligation of the Vendors to extend a general offer for all the Shares other than those already owned or agreed to be acquired by the Vendors or parties acting in concert with any of them. In this connection, the Vendors have undertaken to BOCI Asia that they will not waive condition (ix) unless BOCI Asia is satisfied that the Vendors have sufficient financial resources to satisfy full acceptance of the general offer.

In the event that any of the Conditions has not been fulfilled (or waived by the parties thereto) by 30th September, 2000 (or such other date as the parties to the Sale and Purchase Agreement may agree in writing), the Sale and Purchase Agreement shall lapse and terminate and thereafter all rights, obligations and liabilities of all parties hereunder shall cease and determine and no party shall have any claim against the others under the Sale and Purchase Agreement except for any antecedent breach. Application has been made by MIT to the Stock Exchange for listing of and permission to deal in the Consideration Shares.

LETTER FROM THE BOARD

Undertakings

Pursuant to the Sale and Purchase Agreement, (i) subject to Completion, the Company has undertaken to MIT that it will not (and none of its present or future subsidiaries or associated companies will) except through the Enlarged Group (except Yung Wen Group) directly or indirectly undertake, engage in or be otherwise interested in any business including or relating to the design and production of non-media e-commerce software and non-media utility software or the operation of portals and websites on the internet in the PRC; and (ii) subject to the Conditions being fulfilled or waived, the Company has undertaken to procure that Founder Electronics complies with all its obligations under the Sale and Purchase Agreement.

Each of the Vendors except F2 Consultant has undertaken to MIT that it or he will not, save with the prior written consent of MIT, transfer, exchange or otherwise dispose of, or grant or create any encumbrance in respect of any of the Consideration Shares issued to it or him prior to the date falling six months after the Transaction Completion Date.

3. THE SUBSCRIPTION AGREEMENTS

Date

17th May, 2000

The Subscriptions

Under the Subscription Agreements, the Company and Mr. Cheung will subscribe, for cash, 16,000,000 Subscription Shares and 15,000,000 Subscription Shares, respectively. BOCI Asia, acting as placing agent of the Company, will be entitled to a commission of 2% of the gross proceeds of the Subscriptions, the commission will be payable by MIT. BOCI Asia is independent of, not connected with and not acting in concert with any directors, chief executive or substantial shareholders of MIT or any of its subsidiaries or any of their respective associates.

Subscription Shares

The Subscription Shares represent 17.1% of the existing issued share capital of MIT and approximately 3.8% of the Enlarged Issued Share Capital.

Subscription Price

The subscription price is HK\$1.00 per Subscription Share. The Subscription Shares are issued at the same price as those of the Consideration Shares, the Equity Transfer Shares and the Placing Shares.

Rights

The Subscription Shares, when issued, will rank pari passu in all respects with the then existing Shares in issue as at the date of issue of the Subscription Shares, including the right to receive all dividends and distributions declared, paid or made with reference to a record date falling on or after the date of their allotment and issue.

LETTER FROM THE BOARD

Conditions of the Subscriptions

Completion of each of the Subscription Agreements is conditional upon:

- (i) approval by the shareholders of MIT of the issue and allotment of the Subscription Shares pursuant to the relevant Subscription Agreements;
- (ii) completion of the Sale and Purchase Agreement;
- (iii) the passing of an ordinary resolution taken on a poll by the shareholders of MIT who are not interested in the Subscriptions by an independent vote (within the meaning of Note 1 of the Notes on dispensation from Rule 26 of the Takeovers Code or as may be required by the Executive) approving a waiver of the obligation on the Company or Mr. Cheung (as the case may be) and parties acting in concert with it or him to make a mandatory general offer for all the Shares under Rule 26 of the Takeovers Code as a result of the issue of the Subscription Shares to the Company or Mr. Cheung (as the case may be), and the Executive granting such a waiver; and
- (iv) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the relevant Subscription Shares.

In the event that any of the above conditions has not been fulfilled by 30th September, 2000 or such later date as the parties as to the relevant Subscription Agreement may agree in writing, the relevant Subscription Agreement shall lapse and terminate.

Application has been made by MIT to the Stock Exchange for listing of and permission to deal in Subscription Shares.

4. THE DISPOSAL AGREEMENT, THE MANAGEMENT AGREEMENT AND THE ESCROW AGREEMENT

4.1 The Disposal Agreement

On 17th May, 2000, MIT and its existing controlling shareholder, Ricwinco, entered into the Disposal Agreement. Pursuant to the Disposal Agreement, Ricwinco conditionally agreed to acquire the entire issued share capital of MITI and to assign the outstanding balance due to MIT from the MITI Group as at the Transaction Completion Date to Ricwinco. MITI is a wholly-owned subsidiary of MIT. The MITI Group is principally engaged in the manufacturing of lighting products. The total consideration payable to MIT by Ricwinco shall be the sum of the audited consolidated net asset value of the MITI Group and the total amount of the debt due to MIT from the MITI Group as at the Transaction Completion Date.

For the year ended 31st December, 1997, the unaudited pro forma combined losses of the MITI Group before taxation and minority interests and after taxation and minority interests were approximately HK\$11.4 million and HK\$11.8 million, respectively.

For the year ended 31st December, 1998, the unaudited pro forma combined losses of the MITI Group before taxation and minority interests and after taxation and minority interests were approximately HK\$14.2 million and HK\$13.7 million, respectively.

For the year ended 31st December, 1999, the unaudited pro forma combined profit of the MITI Group before taxation and minority interests and after taxation and minority interests were approximately HK\$20.8 million and HK\$20.2 million, respectively.

LETTER FROM THE BOARD

Completion of the Disposal Agreement is conditional upon, inter alia, the completion of the Sale and Purchase Agreement taking place contemporaneously with the completion of the Disposal Agreement. As the arrangement for the sale of the MITI Group by MIT under the Disposal Agreement is extended to Ricwinco but not extended to other shareholders of MIT, the Disposal Agreement constitutes a special deal under Rule 25 of the Takeovers Code.

4.2 The Management Agreement

On 17th May, 2000, MIT and Ricwinco entered into the Management Agreement. Pursuant to the Management Agreement, subject to Completion, Ricwinco will be appointed as manager responsible for managing the remaining businesses of MIT and its subsidiaries and associated companies, being the manufacturing of weighing scales (conducted by the MITC Group) and semi-conductor manufacturing (conducted by the Yung Wen Group) for a term of three years after Completion.

Pursuant to the Management Agreement, Ricwinco has unconditionally guaranteed and undertaken to MIT that the audited consolidated profit after taxation and minority interests of the Yung Wen Group and the MITC Group for each of the financial years (or part thereof) from commencement of the term of management shall not be less than an amount equal to 6% of the Yung Wen Opening Net Worth and the MITC Opening Net Worth respectively or the relevant portion of such respective amount corresponding to part of a financial year during which the profit guarantee is effective. If a loss is recorded by the Yung Wen Group and/or the MITC Group, the amount of such loss will also be counted as and form part of the profit shortfall. The auditors of MIT will issue a certificate regarding the fulfilment of the profit guarantee within three months after the end of the relevant financial year or period. Any shortfall of the guaranteed profit other than the amount representing any loss of the Yung Wen Group and/or the MITC Group will be paid by Ricwinco to MIT and the balance (being the amount representing any loss of the Yung Wen Group and/or the MITC Group, respectively) to Yung Wen and/or MITC in cash within 30 days after the issue of the auditors' certificate. The independent non-executive directors of MIT for the time being will review and confirm in the annual report of MIT as to whether such profit guarantee has been fulfilled.

The profit guarantee in relation to the Yung Wen Group will terminate as from the termination of the appointment of Ricwinco as manager or the completion of the Possible Disposal, whichever is earlier. The profit guarantee in relation to the MITC Group will terminate as from the termination of the appointment of Ricwinco as manager.

Ricwinco will not receive any management fee or other remuneration in whatever form under the Management Agreement.

Ricwinco's undertaking as to the payment of the profit guarantee is to be secured by the arrangements under the Escrow Agreement.

On the basis of the unaudited accounts of MIT and its subsidiaries and associated companies as at 30th April, 2000, unaudited pro forma accounts of the Yung Wen Group and the MITC Group have been prepared. According to such unaudited pro forma accounts of the Yung Wen Group and the MITC Group, the aggregate amount of the unaudited pro forma net asset value and the amount due to MIT by the Yung Wen Group and the MITC Group as at April 2000 were approximately HK\$56 million and approximately HK\$62 million, respectively.

LETTER FROM THE BOARD

Possible Disposal

Pursuant to the Management Agreement, if during any year or period during the profit guarantee period, the audited consolidated profit after taxation and minority interests of the Yung Wen Group is less than the amount which is equal to 15% of the Yung Wen Opening Net Worth, Ricwinco shall acquire the entire issued share capital of Yung Wen from MIT conditional on (i) completion of the formation of the corporate structure of the Yung Wen Group and the reorganisation of the relevant inter-company indebtedness; (ii) completion of the Sale and Purchase Agreement; (iii) the Deposited Shares having been deposited by Ricwinco in an account maintained by the escrow agent in accordance with the Escrow Agreement; and (iv) Ricwinco having the financial resources to pay the consideration on completion of the Possible Disposal pursuant to the Management Agreement.

The total consideration of the Possible Disposal shall be the sum equal to the Yung Wen Opening Net Worth plus the amount of indebtedness due to MIT by the Yung Wen Group as at the completion of the Possible Disposal, to be payable by Ricwinco to MIT in cash as at the date of completion of the Possible Disposal pursuant to the Management Agreement. The aggregate of the unaudited pro forma combined net asset value of and the amount due to MIT by the Yuen Wen Group as at 30th April, 2000 amounted to approximately HK\$56 million.

As the arrangement relating to the Possible Disposal pursuant to the Management Agreement is extended to Ricwinco only but not extended to other shareholders of MIT, the Possible Disposal constitutes a special deal under Rule 25 of the Takeovers Code.

4.3 The Escrow Agreement

In order to secure the source of finance of Ricwinco for its payment obligations under the Disposal Agreement and the Management Agreement, on 17th May, 2000, Ricwinco, MIT and an escrow agent, BOCI-Prudential Trustee Limited, entered into the Escrow Agreement. Pursuant to the Escrow Agreement, Ricwinco will upon Completion deposit 72,000,000 Shares held by it to the escrow agent.

5. THE EQUITY TRANSFER AGREEMENT

On 17th May, 2000, MIT, Yahoo! and Founder Electronics (joined as a party to provide undertakings to Yahoo! including to procure Founder Data and Beijing Founder Electronics Co., Ltd. to give consent to the transfer of 19.9% of the equity interest in AdTargeting by Yahoo! to Datacom and to assist in obtaining the relevant PRC approval to such transfer) entered into the Equity Transfer Agreement. Pursuant to the Equity Transfer Agreement, MIT agrees to acquire from Yahoo! a 100% interest in Datacom (to which Yahoo! has transferred its 19.9% interest in AdTargeting) together with the entire amount of any and all outstanding Shareholder loan owed by Datacom. The remaining 80.1% interest in AdTargeting is held by Founder Data, the entire issued share capital of which will be acquired by MIT at Completion which will take place at the same time as the completion of the Equity Transfer Agreement. Accordingly, when the Equity Transfer is effected, MIT will effectively hold a 100% interest in AdTargeting. Completion of the Equity Transfer Agreement is conditional upon, inter alia, completion of the Sale and Purchase Agreement.

The consideration for the acquisition is HK\$93,240,000, which shall be satisfied by the issue by MIT of 93,240,000 new Shares to Yahoo! at an issue price of HK\$1.00 per Share which is equal to the issue price of the Consideration Shares, the Subscription Shares and the Placing Shares. Pursuant to the joint venture agreement of AdTargeting entered into in February 2000, Yahoo! had an option to convert its 19.9% interest in AdTargeting into shares of Founder Data or its holding company, whichever registers its shares first for a public offering. The Equity Transfer Agreement is executed pursuant to the terms of such option. Yahoo! is an independent party to the Vendors and not a party acting in concert with the Company and its concert parties.

LETTER FROM THE BOARD

6. THE PLACING AGREEMENTS

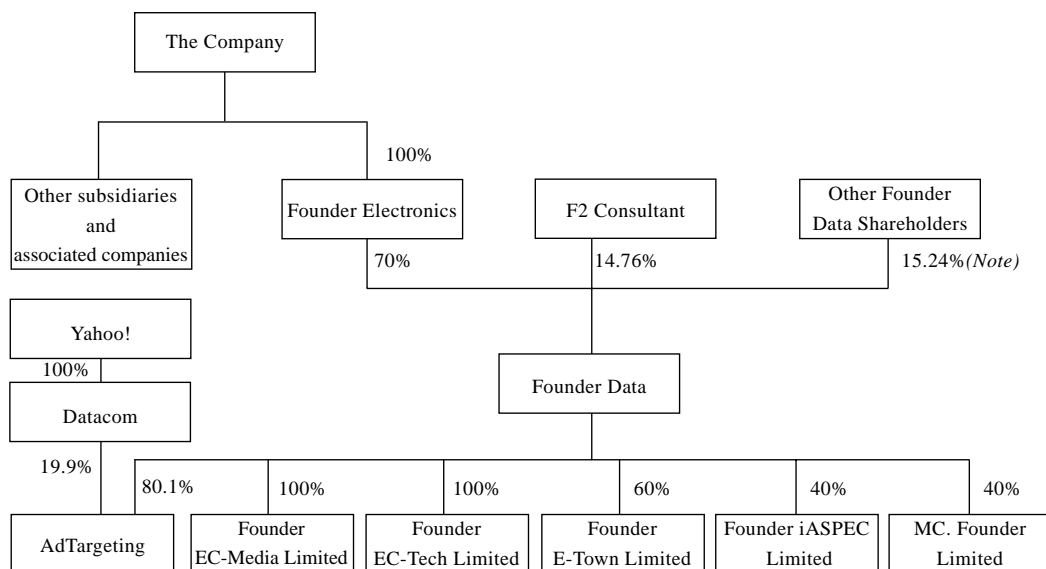
On 17th May, 2000, MIT entered into several Placing Agreements regarding the Placing under which, subject to completion of the Sale and Purchase Agreement, MIT will issue and allot an aggregate of 75,600,000 new Shares to independent institutional and individual investors at a price of HK\$1.00 per Share which is equal to the issue price of the Consideration Shares, the Subscription Shares and the Equity Transfer Shares.

BOCI Asia is the placing agent of the Placing and will be entitled to a placement commission of 2% on the gross proceeds of the Placing, which is payable by MIT. The places under the Placing are institutional and individual investors who are independent of and not connected with the directors, chief executives, substantial shareholders of MIT or Founder and any of their respective associates.

Completion of each Placing Agreement is conditional upon the approval by the shareholders of MIT of the issue and allotment of the relevant Placing Shares, the completion of the Sale and Purchase Agreement and the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the relevant Placing Shares. Application has been made by MIT to the Stock Exchange for the listing of and permission to deal in the Placing Shares.

7. CORPORATE STRUCTURE OF THE FOUNDER DATA GROUP AND OF MIT

Immediately before completion of the Sale and Purchase Agreement, the corporate structure of the Founder Data Group is as follows:

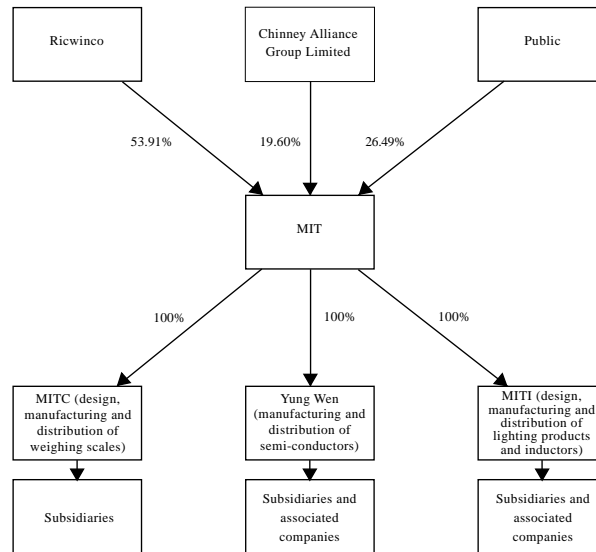


Note: Mr. Cheung, Zhang Zhao Dong (a director of the Company), Wei Xin (a director of the Company), Jiang Bi Jin, Lei Hon Sang (a director of the Company) and Xiao Jian Guo respectively holds 4.98%, 0.90%, 0.90%, 1.50%, 4.98% and 1.98% of the issued share capital of Founder Data.

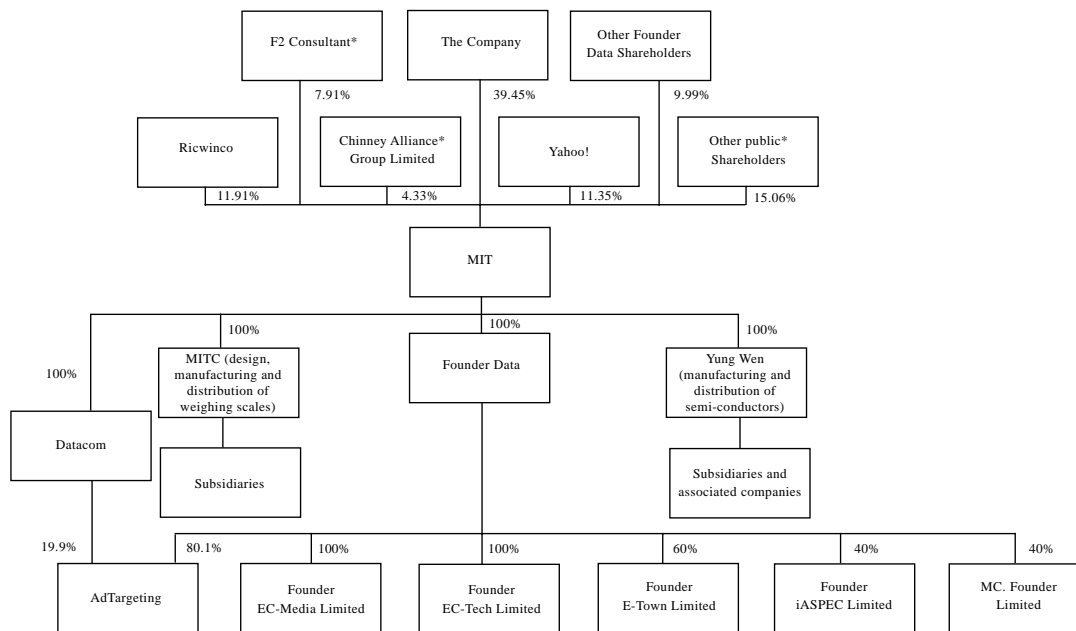
Each of the Company, Founder Electronics, F2 Consultant and the Other Founder Data Shareholders and their respective associates are independent of and not connected with any directors, chief executives or substantial shareholders of MIT or any of its subsidiaries or any of their respective associates (as defined under the Listing Rules). At present, none of the Vendors and their respective associates (as defined under the Listing Rules) holds any Shares.

LETTER FROM THE BOARD

The diagram below shows the present corporate structure of MIT and its subsidiaries.



Immediately after completion of the Sale, the Disposal, the Subscriptions, the Equity Transfer and the Placing, the corporate structure of the Enlarged Group will be as follows.



* Public shareholders (total: 27.3%)

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Upon the completion of the Transactions, the Enlarged Issued Share Capital will be held as follows:

	Number of Shares	
	(million)	%
Founder	323.7	39.45
Ricwinco	97.7	11.91
Yahoo!	93.2	11.35
Other Founder Data Shareholders	82.0	9.99
F2 Consultant	64.9	7.91 *
Chinney Alliance Group Limited	35.5	4.33 *
Other public shareholders	123.6	15.06 *
	<u>820.6</u>	<u>100</u>

* Public shareholding (total: 27.3%)

8. INFORMATION ON THE FOUNDER DATA GROUP

In order to capture the rapid growth of the internet business opportunities in China and leverage off the close co-operative relationships between the Group and its business partners (especially those in the PRC media industry), the Group has recently begun to engage in the internet business through the Founder Data Group.

Founder Data was incorporated in the British Virgin Islands on 8th December, 1999. Founder Data is an investment holding company. The subsidiaries and associated companies of Founder Data are engaged in the provision of internet advertising agency service, business-to-business exchange platforms of content and advertisement space trading to media industry and e-commerce solutions and development. Before the establishment of Founder Data, the businesses of Founder Data Group were carried out through certain internal divisions of Founder. Currently, the Founder Data Group has approximately 120 employees.

In April 2000, Founder and Yahoo! established AdTargeting which aims to provide internet advertising agency service as well as other internet related consultancy services.

The audited net loss after taxation and minority interests of the Founder Data Group for the period from 8th December, 1999 to 31st December, 1999 and the three months ended 31st March, 2000 was approximately HK\$Nil and HK\$1,570, respectively. The audited consolidated net asset value of the Founder Data Group as at 31st December, 1999 and 31st March, 2000 was HK\$775 and HK\$75,934, respectively.

8.1 AdTargeting

AdTargeting is one of the principal subsidiaries of Founder Data. AdTargeting is a wholly-owned foreign enterprise established on 25th April, 2000 which designs and produces internet advertisement by using an “Ad Server” technology which it licensed from Yahoo! under a Technology Licence Contract entered into with Yahoo!, and by making use of the extensive alliance the Founder Group has established with the Chinese news media to assume a leading position in the rapidly growing internet advertising market. AdTargeting is also engaged in the development of computer software and networks and the provision of technical consultancy services. It is also an internet advertisement agent and a website design and production company. Immediately

LETTER FROM THE BOARD

before the Sale and the Equity Transfer are completed, AdTargeting is beneficially owned as to 19.9% by Yahoo! (through Datacom) and as to 80.1% by Founder Data. Following the Sale and the Equity Transfer, AdTargeting will become an indirectly wholly-owned subsidiary of MIT.

AdTargeting is a total solution provider of network integration. By employing new technologies of web-broadcasting, AdTargeting aims to provide on-line sales solutions tailored to help clients to promote on-line sales campaign and on-line brand name promotion services.

Pursuant to the Advertising Sales Representative Agreement between Yahoo! (Hong Kong) Limited (a wholly-owned subsidiary of Yahoo!), Founder Electronics and AdTargeting, AdTargeting has been appointed as Yahoo!'s on-line advertising agent in the PRC. In addition, AdTargeting has established a Super Media Alliance ("SMA") with more than 30 leading newspapers and publishers in the PRC to act as an exclusive agent for their website advertisements.

With the licence to use "Ad Server" technology from Yahoo!, AdTargeting is able to provide website advertisement, broadcasting and management services, including the management of broadcasting time, resources, advertisement targeting and feedback reports.

The members of SMA include leading news and media websites in the PRC. With the growing number of members of SMA, AdTargeting will be able to further promote the websites of various SMA members, assisting them to further consolidate their positions as major PRC on-line news portals, thereby further expanding AdTargeting's advertisement network.

Services provided by AdTargeting include:

- providing advertising sales service to Yahoo! in the PRC in accordance with the terms of the Advertising Sales Representative Agreement;
- establishing SMA through Founder's publishing business clients in China by allowing them to share news contents, advertisement broadcasting technology and on-line advertising resources for clients all over the PRC;
- providing comprehensive on-line sales solutions to customers through integrating traditional media resources with on-line resources thereby bolstering product awareness and e-business development of its clients;
- providing total solutions to advertisement clients, including web promotion plans, web advertisement design to webpage advertisement, broadcasting and monitoring; and
- providing website planning, construction, design and production and technical support services to its clients.

8.2 Founder EC-Media Limited

To further expand its businesses, the Founder Data is setting up business-to-business e-commerce platforms through Founder EC-Media Limited to cater specifically for the production, operation and servicing activities which are relevant to the news publication/network media. Founder EC-Media Limited will establish platforms which allow relevant participants to conduct on-line trading of press content such as news and photos and the trading of advertisements relevant to various media advertising resources.

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Founder EC-Media Limited was incorporated on 21st February, 2000 in the British Virgin Islands. Founder EC-Media Limited is a wholly-owned subsidiary of Founder Data. Founder EC-Media Limited is engaged in the provision of e-business applications for the media industry. It provides on-line information storage services for information distributing institutes such as press and publishers. It also offers information exchange and enquiry services for media, websites, enterprises, hospitals, individuals and other information seekers. Another major business of Founder EC-Media Limited involves the provision of on-line advertisement space exchange services and advertising resources enquiry service for advertisement media owners (e.g. the media, websites and outdoor advertisement banner owners), advertisers (including enterprises and individuals) and advertising agents. Income of Founder EC-Media Limited is derived from membership fees, transaction intermediary charges, consultation fees and fees for other value-added services.

Founder is one of the largest information technology corporations in the PRC and a leading information technology service provider to the publishing industry. Founder is one of the widely recognized brand names in the publishing industry in the PRC where it has established a solid customer base. It provides news editing system and newspaper advertisement management system to the majority of the leading publishers in the PRC and also to overseas. It has also maintained a close business relationship with content owners, advertisers and advertising agents. It also offers management system on program production and broadcasting to radio and television stations.

Capitalising on the existing extensive client base and the hands-on experience in the media and advertising industries of the Company, Founder EC-Media Limited is equipped with the experience and expertise to serve the substantial number of potential customers in the PRC media industry. It helps to facilitate the application of e-business in the media industry by establishing the e-business platforms for information storage and exchange and for exchange of advertisement space between different media.

The primary businesses of Founder EC-Media Limited include:

1. The establishment and operation of advertisement resources information services and an on-line content exchange platform

The platform system offers three kinds of services. First, it distributes advertising resources information (including location of advertisement, size, restrictions and pricing) to advertising companies and agents. Secondly, it provides secured on-line transaction platform for advertising companies, agents and the media to execute and settle advertising transactions. Thirdly, the system provides research reports on trends in the advertising market, comprehensive promotion strategy consultation services and also advertisement design and production services.

2. Content storage services and content copyright dealings

Content storage services refer to the provision of secured data storage by establishing highly reliable storage server system to store historical data for clients. As for content copyright dealings, Founder EC-Media Limited acts as an agent for owners of intellectual property rights (such as newspaper and magazine articles, television programmes, etc.) including various media reporters and other information possessors, and sells rights of use of such information to information consumers including websites, enterprises, schools and users.

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Capitalising on the technological expertise and solid technology strength of the Company, Founder EC-Media Limited aims to develop efficient, secured and multi-functions e-commerce platforms. Based on the current customer base of Founder in the media industry, the company strives to establish a new internet-based business model for the media industry.

8.3 Founder EC-Tech Limited

The Founder Data Group also acts as a software developer through Founder EC-Tech Limited which caters for e-commerce, with emphasis on the development of e-commerce platform technology and the provision of application service primarily for retail management and supply chain management.

Founder EC-Tech Limited was incorporated on 21st February, 2000 in the British Virgin Islands. Founder EC-Tech Limited is a wholly-owned subsidiary of Founder Data and is principally engaged in the development of e-business platforms and applications as well as the provision of system integration for e-business.

The e-business platform and application development operation of Founder EC-Tech Limited provides products such as e-business middleware, safety products, content editing, broadcasting and procedure control and content presentation (e.g. on-line 3-dimensional presentation of products). Founder EC-Tech Limited has already launched ET SAFE. ET SAFE is a network security product with packet filtering and cache server features. It keeps log of all data flows for recovery analysis in emergencies. It provides virtual private network through data flow encryption on the public network. ET SAFE also allows users to monitor network ports and terminate user access by means of packet filter when hacker is detected. In addition, ET SAFE will also monitor network data flow to identify hostile packets, monitor abnormal system movement and utilization.

The e-business system integration business of Founder EC-Tech Limited provides e-business operators with consultation services on website planning, system design, software development and software and hardware integration as well as system implementation.

8.4 Founder E-Town Limited

Founder E-Town Limited was incorporated on 21st February, 2000 in the British Virgin Islands. Founder E-Town Limited is owned as to 60% by Founder Data and 40% by Panoramic View Group Limited. It aims to participate in a project for the construction and operation of the information technology infrastructure of Dongguan City, Guangdong Province, the PRC. The project is endorsed by the PRC Central Government as a pilot scheme to use information technology to transform Dongguan City into a city supported by computers and the internet. The expected target customers of Founder E-Town Limited include government agencies, enterprises and individuals. Founder E-Town Limited has not commented its operation as at the Latest Practicable Date.

8.5 Founder iASPEC Limited

Founder iASPEC Limited was incorporated on 8th December, 1999 in the British Virgin Islands and became an associated company of Founder Data Group on 22nd March, 2000. It is a joint venture internet technology company founded by Founder Data and Iaspec Investment (BVI) Limited (“Iaspec”) and plans to engage in the provision of ASP service in retail management and supply chain management. Founder Data owns 40% of the entire issued share capital of Founder iASPEC Limited with a 51% interest owned by Iaspec and the remaining 9% interest owned by F2 Consultant as nominee for the trustees of “The Founder iASPEC Employees Benevolent Trust”, the beneficiaries of which are the employees of Founder iASPEC Limited and its subsidiaries.

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Iaspec is a business partner of Founder Data and is independent of and not connected with directors, chief executives or substantial shareholders of the Company or any of their respective associates. Iaspec is one of the leading internet applications service provider (“ASP”) in the Asian region, specializing in the provision of e-business solutions, system integration, software development and professional internet services to enterprises and government institutions.

Catering for its clients in the fields of industrial products trading, wholesaling and retailing, medicine and healthcare products, real estate management, plotting and document management and control, Iaspec aims to transfer its existing e-business projects into ASP models.

The mission of Founder iASPEC Limited is to secure a leading position in the Asian ASP market and to implement internet technology efficiently by building up core strengths in information technology consultation, system integration and software development. Founder iASPEC Limited has not commenced its operation as at the Lastest Practicable Date.

It is anticipated that Founder iASPEC Limited is responsible for marketing Iaspec’s existing ASP services in the PRC and for expanding such services into other fields of professional applications.

8.6 MC. Founder Limited

MC. Founder Limited was incorporated on 27th March, 2000 in Hong Kong. It plans to engage in the development of the technology of mobile commerce through mobile telephone network(s) and the manufacture, sales and distribution of related products and to carry on all ancillary activities in various regions including Hong Kong, Taiwan and China. Founder Data holds a 40% interest in MC. Founder Limited with the remaining 60% interest held by an independent third party.

9. INFORMATION ON THE MIT GROUP

The MIT Group is principally engaged in the design, manufacturing and marketing of consumer and industrial electronic products.

The principal business activities of the MITI Group are to design, manufacture and distribute lighting products and inductors and those of the Yung Wen Group are to manufacture and distribute semi-conductor products such as switching diodes, zener diodes, small signal transistors and rectifiers. The MITC Group is principally engaged in the design, manufacturing and distribution of weighing scales.

A summary of the consolidated balance sheet and profit and loss accounts of the MIT Group for the three years ended 31st December, 1997, 1998 and 1999 is set out in Appendix III to this circular.

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10. CURRENT OPERATIONS OF THE GROUP

Currently, the Group is principally engaged in electronic publishing and multi-media systems, system integration and dealership in computer hardware and electronics equipment. Since 1999, the Group has adopted a number of new business strategies and implemented a series of innovation plans in order to improve the business operations and financial positions of the Group. The Group will continue to actively reform its business operations and development strategy to improve the Group's overall competitive edge. The table below shows a summary of the audited financial information on the Group for the two years ended 31st December, 1998 and 1999.

	Year ended 31st December,	
	1999	1998
	HK\$000	HS\$000
Loss before tax	(222,451)	(165,650)
Tax	(879)	(46)
	<hr/>	<hr/>
Loss before minority interests	(223,330)	(165,696)
Minority interests	259	—
	<hr/>	<hr/>
Net loss attributable to shareholders	<u>(223,071)</u>	<u>(165,696)</u>

11. FUTURE BUSINESS PLANS

11.1 Existing business of MIT

Following Completion, the existing businesses of MIT and its subsidiaries and associated companies comprising the semi-conductor business of the Yung Wen Group (assuming the Possible Disposal does not materialise) and the weighing scale business of the MITC Group but excluding the lighting products and inductors business of the MITI Group will remain in the MIT Group and will be managed by Ricwinco pursuant to the Management Agreement.

Besides developing the above mentioned businesses, the MIT Group will following Completion also focus on developing the Founder Data Group's businesses in the provision of internet advertising agency services and business-to-business exchange platforms of content and advertisement space trading to the media industry and e-commerce solutions and development.

11.2 Internet advertising

Upon Completion, the Group will continue to invest in the internet advertising business through its shareholding in MIT. The Group will continue to capitalise its leading position in the news media market in China, establishing strategic relationships with the various players in the media industry in order to achieve high growth in the future.

In addition to the well established relationships between the Company and various media industry players in China, the Founder Data Group can also leverage off the technical expertise of Yahoo!, pursuant to the Technology Licence Contract entered into between Yahoo! and AdTargeting. The Founder Data Group will continue to develop other products and services as an internet advertising agency through its intensive understanding of the China media industry and the technical support provided by Yahoo! pursuant to the Technology Licence Contract entered into between Yahoo! and AdTargeting.

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11.3 e-Commerce

By making use of the Group's profound understanding of the operations and work-flows in the media industry, the Founder Data Group strives to build and operate business-to-business platforms to facilitate content production and exchange among publishers in China and the rest of the world. The Founder Data Group utilizes on-line information data from many foreign Chinese language news agencies, newspaper and magazines publishers to build up a business-to-business platform facilitating information exchanges (especially such information regarding the advertising market in China) for the media, internet companies, other corporates and individuals.

Since establishment of the Founder Data Group, the Group has been developing internet-based solutions for its clients. The Founder Data Group has been assisting its clients to define their on-line strategies, develop customised e-commerce systems and integrate web applications with clients information system. The Founder Data Group will continue to enhance its service portfolio and competitiveness. It also aims to be a leading application service provider for content production cooperation among publishing and printing companies.

12. PROPOSED CHANGES TO MIT BOARD

It is expected that upon Completion, all the existing executive and non-executive directors of MIT, except Mr. Yung, Mr. Richard Yung, Jr, and two independent non-executive directors, will resign. It is intended that, upon Completion, the following will be the directors of MIT:

12.1 Executive directors

Mr. Cheung Shuen Lung, aged 44, currently an executive Director and the President of Founder, will become an executive director and the Chairman of MIT. Mr. Cheung is a research fellow of the Enterprise Research Institute at the Peking University and one of the founders of the Founder Group. Mr. Cheung has 19 years of experience in the information technology industry and will be responsible for the overall management and executive discussions.

Mr. Lei Hon Sang, aged 41, who has recently been appointed as an executive Director of Founder, will become an executive director and the President of MIT. Mr. Lei graduated from the Department of Computer Technology and Applied Mathematics of the University of Hong Kong in 1983. Mr. Lei joined the Founder Group in May 1999 as the director and president of Beijing Founder Electronics Co., Ltd. (one of the major subsidiary companies of Founder in the PRC). Before joining the Founder Group in May 1999, he worked in the PRC branch office of a renowned international information technology company for 12 years and was the Deputy President and General Manager of information technology product department of the PRC branch. Mr. Lei will be responsible for overall operation and future business development.

Professor Wei Xin, aged 45, is currently an executive Director of Founder. Professor Wei graduated from Peking University with specialisation in the economics of education, educational planning and financing. Professor Wei is currently a professor of the Peking University. He is the executive deputy director of the Institute of University Education Science and the Institute of Educational Economics of the Peking University, and is the vice financial controller of the Peking University. Professor Wei is also a member of the team of expert of the China Education Project undertaken by the World Bank. Professor Wei will be responsible for the financial and human resources function.

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Professor Zou Wei, aged 36, is the Deputy Chief of the Founder Research and Development Centre and the General Manager of the Internet-related Products Department of the Founder Group. He is an associate professor and a supervisor of post-graduates of the Peking University. Professor Zou joined the Founder Group in 1995 and is responsible for the development of internet-related products. He obtained his master degree in Software Studies from the Institute of Software, Science Academy of China in 1988. Before joining the Founder Group, he was responsible for the software and product development in the Science Academy of China and Oracle.

Mr. Richard Yung, Jr., aged 36, is a son of Mr. Yung. He joined the MIT business in 1987 after graduating with a Business Administration degree from the University of Southern California. He is currently the managing director of Management Investment & Technology Company Limited and is responsible for the weighing scale business of the MITC Group.

12.2 Non-executive directors

Mr. Richard Chih Shin Yung, aged 65, the current Chairman and Managing Director of MIT, will be the Honorary co-chairman and a non-executive director of MIT. Mr. Yung is a graduate of electrical engineering from the Massachusetts Institute of Technology. He founded in 1975 the business of which MIT become the holding company and has extensive experience in marketing, product design, factory planning and production management in the electronics industry.

Professor Wang Xuan, aged 63, currently the executive director and Chairman of Founder, will be the Honorary co-chairman and non-executive director of MIT. Professor Wang is a professor of the Peking University and one of the founders of the Founder Group. Professor Wang is also a member of the Science Academy of China, the China Engineering Academy and the Third World Science Academy. He is also a member of the Standing Committee of the Ninth National People's Congress (NPC) and the vice-chairman of NPC Education, Science, Culture and Public Health Committee. He graduated from the Faculty of Mathematics of the Peking University in 1958, and has since been lecturing and carrying out research work at the Peking University. He is currently the director of the Research Institute of Computer Science and Technology at the Peking University.

12.3 Independent non-executive directors

Mr. Richard Lin Yang, aged 71, is the vice-chairman of Chongqing Da Wah Navigation Co. Ltd., PRC; a director of Chongqing Taipan Storage (Petroleum) Ltd., PRC, and Taipan Storage (Petroleum) Pte. Ltd., Singapore and managing director of E-Hsiang Steamship Co. Ltd., Taiwan. He has extensive experience in providing agency, dealer and consultancy services for companies interested in the areas of Taiwan and the PRC.

Mr. Andrew Ying Bui Lee, aged 36, is a Partner of Robertsons, Solicitors and Notaries. Before joining Robertsons Double & Lee in 1990 as an Associate, Mr. Lee served his articleship with Robert W. H. Wang & Co. He was admitted as a Partner in 1992. He is also admitted as a lawyer in England and Wales and Australia. He mainly handles civil litigation cases and specialises in insurance cases.

LETTER FROM THE BOARD

13. REASONS FOR THE TRANSACTIONS

The Directors consider that the Sale and Purchase Agreement is in the interest of the Company, since the Company will after completion of the Sale become a controlling shareholder of MIT which will serve as an independent vehicle for raising new capital from the equity market for future development of the business of the Founder Data Group. After completion of the Sale, Founder Data Group will be disposed to MIT and in return the Company will hold approximately 37.5% interest (being 307,690,000 Shares upon completion of the Sale) in the Enlarged Group. Based on the unaudited net asset value of the Founder Data Group as at 31st May, 2000 which was approximately HK\$18,799,000 and the pro forma consolidated net assets (including tangible and intangible assets) of the Enlarged Group which was approximately HK\$294,510,000, it is estimated that a gain on disposal of subsidiaries will amount to approximately HK\$97,282,000 from the Sale.

The Disposal Agreement allows MIT to divest from its design, manufacturing and distribution of lighting product and inductor businesses which incurred loss for the two years ended 31st December, 1998, thereby concentrating its resources on developing other areas of business.

The principal businesses of the Founder Group is currently the provision of electronic and media publishing systems, system integration and dealership of computer hardware and electronics equipment. After Completion (including the completion of the Founder Subscription), the Company will become a controlling shareholder of MIT and will control the majority of the board composition of MIT. The Sale and the Founder Subscription effectively allow the Group to invest in the design, manufacture and sale of electronic products, including weighing scales and semi-conductors. The Management Agreement on the other hand allows MIT to retain its existing management's expertise in the operation of the remaining businesses involving semi-conductor products and weighing scales. However, in the event that the Yung Wen Group fails to deliver a satisfactory return to MIT, pursuant to the Management Agreement, MIT will sell the Yung Wen Group to Ricwinco at the Yung Wen Opening Net Worth plus any outstanding debts due to MIT from the Yung Wen Group as at completion of the Possible Disposal, thereby allowing the MIT Group to further focus its resources on developing other areas of business (including that of the Founder Data Group).

The Directors are of the view that the Sale and the Founder Subscription will not have any material adverse impact on the business, operations and financial position of the Group.

14. TAKEOVERS CODE IMPLICATIONS FOR THE COMPANY

Immediately upon completion of the Transactions, the aggregate shareholding of Founder together with the parties acting in concert with it (i.e. the other Vendors and the Company) in MIT will be approximately 57.35% (Founder as to 39.45%, the Other Founder Data Shareholders as to 9.99% and F2 Consultant as to 7.91%). Under the Takeovers Code, unless the Whitewash Waiver is obtained, Founder and parties acting in concert with it would be obliged to make an unconditional general offer to acquire all the Shares other than those already owned by it and parties acting in concert with it.

LETTER FROM THE BOARD

The Disposal under the Disposal Agreement and the Possible Disposal under the Management Agreement consist of certain arrangements extended to Ricwinco only but not to other shareholders of MIT. The Disposal Agreement and the Management Agreement form part of the overall transaction with the Sale and Purchase Agreement and the Subscription Agreements. As a result, the Disposal Agreement and the Possible Disposal under the Management Agreement constitute special deals under Rule 25 of the Code.

An application has been made on behalf of the Company by BOCI Asia to the Executive for the Whitewash Waiver in respect of the 470,560,000 Shares (representing approximately 57.35% of the Enlarged Issued Share Capital) to be issued to the Vendors under the Sale and Purchase Agreement and to Founder and Mr. Cheung under the Subscription Agreements and seeking for a consent from the Executive for them to subscribe for the Consideration Shares and the Subscription Shares regarding the special deals for the Disposal Agreement and the Management Agreement, which will be subject to the approval of the independent shareholders of MIT on a vote to be taken by way of a poll. The Executive may or may not grant the Whitewash Waiver or give the necessary consent. Completion of the Sale and the Subscriptions are conditional upon, inter alia, the granting of the Whitewash Waiver and the consent by the Executive. If the Whitewash Waiver or the necessary consent is not granted, or if any of the conditions subject to which the Whitewash Waiver may be granted or the consent may be given is not fulfilled, unless, (i) in relation to the Sale and Purchase Agreement, the condition as to the granting of the Whitewash Waiver is waived by the Vendors and (ii) in relation to the Subscription Agreements, such condition as to the completion of the Sale and Purchase Agreement is waived, the Sale and Purchase Agreement, the Subscription Agreements, the Disposal Agreement and the Management Agreement will not become unconditional and therefore cannot be completed. In that event the obligation to make a general offer will not arise.

Upon completion of the Sale and Purchase Agreement and the Subscription Agreements, Founder and parties acting in concert with it will hold an approximate 57.35% interest in aggregate in the Enlarged Group. As this exceeds 50% of the total issued share capital of MIT, Founder and parties acting in concert with it will be free to increase their shareholding in MIT afterwards without incurring any further obligation under the Takeovers Code to make a general offer.

The Vendors have undertaken to BOCI Asia that, unless BOCI Asia is satisfied that the Vendors have sufficient financial resources to fulfill their obligation under the general offer requirements, the condition on obtaining the Whitewash Waiver will not be waived.

15. BUSINESS VALUATION OF THE FOUNDER DATA GROUP

Sallmanns (FarEast) Limited, in their business valuation report, the text of which is set out in Appendix II to this circular, assigned a value of US\$62 million to the business of the Founder Data Group as at 17th May, 2000. The information contained in Appendix II provides additional information to the Shareholders.

LETTER FROM THE BOARD

16. SHAREHOLDERS' APPROVAL

Since that part of the consideration for the Sale receivable by Founder Electoincs exceeds 50% of the audited consolidated net tangible assets of the Group as at 31st December, 1999, the Sale constitutes a major transaction for the Company under the requirements of the Listing Rules and therefore requires shareholders' approval.

As at the Latest Practicable Date, Peking University Founder Group Corporation held approximately 35.01% of the entire issued share capital of the Company and has indicated to the Directors that it will vote in favour of the resolution in connection with the Sale.

A special general meeting will be held at Unit 1408, 14th Floor, Cable TV Tower, No. 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong at 11:00 a.m. on Monday, 25th September, 2000. A notice of the special general meeting is set out in this circular. Ordinary resolution will be proposed at the meeting, *inter alia*, to approve the Sale.

A form of proxy for use at the special general meeting is enclosed. Whether or not you intend to attend the special general meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it as soon as possible to the office of the Company's branch registrar in Hong Kong, Central Registration Hong Kong Limited at Suite 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Hong Kong and in any event not less than 48 hours before the time appointed for holding the special general meeting. 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 desire.

17. GENERAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this circular.

Yours faithfully,
By order of the Board
Founder Holdings Limited
Cheung Shuen Lung
Executive Director and President

Statement of Indebtedness

As at the close of business on 30th June, 2000, being the Latest Practicable Date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding bank borrowings of approximately HK\$137.1 million comprising a mortgage loan of approximately HK\$5.1 million, secured trust receipt loans of approximately HK\$1.4 million, secured bank overdraft of approximately HK\$0.3 million and unsecured bank loans of approximately HK\$130.3 million.

As at 30th June, 2000, the Group's bank borrowings were secured by certain of the Group's land and buildings situated in Hong Kong with net book value of approximately HK\$22.7 million and the Group's fixed bank deposits of approximately HK\$0.6 million. The Group's unsecured bank loans of approximately HK\$122.5 million were guaranteed by the Peking University Founder Group Corporation, a substantial shareholder of the Company.

Save as aforesaid and apart from intra-group liabilities, the Group did not have, at the close of business on 30th June, 2000, any outstanding mortgages, charges, debentures or other loan capital, bank loans and overdrafts or other similar indebtedness, finance lease or hire purchases commitments, guarantees or other material contingent liabilities.

Save as disclosed in this circular, the Directors have confirmed that there has not been any material change in the indebtedness and contingent liabilities of the Group since 30th June, 2000.

Working capital

The Directors are of the opinion that based on available banking facilities and the expected cashflows, the Group has sufficient working capital to meet its present requirements.

The following is the text of a letter, a summary of the principal conclusions of a business valuation, prepared for the purpose of incorporation in this circular, received from Sallmanns, an independent valuer, in connection with its business valuation as at 17th May, 2000 of the Founder Data Group currently held by the Company.



CHARTERED SURVEYORS, PROPERTY CONSULTANTS
LAND, BUILDING, PLANT & MACHINERY VALUERS
FINANCIAL AND INTANGIBLE ASSET VALUERS

15th Floor, Trinity House
165-171 Wanchai Road
Wanchai
Hong Kong

9th September, 2000

*The Directors
Founder Holdings Limited
Management Investment & Technology (Holdings) Limited*

Dear Sirs,

In accordance with your instructions we have undertaken a valuation to determine an independent opinion of the market value of a 100% equity interest in Founder Data Corporation International Limited (“Founder Data”) and its subsidiaries and associated companies (together “the Founder Data Group”) as at 17th May, 2000. This letter summarises the principle conclusions of our detailed valuation dated 9th September, 2000.

The purpose of the valuation is to express an independent opinion of the market value of a 100% equity interest in the Founder Data Group as at 17th May, 2000 in connection with a disposal of 70% equity interest in Founder Data to Management Investment & Technology (Holdings) Limited.

Our valuation has been carried out on a market value basis. Market value is the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Founder Data is an investment holding company registered in the British Virgin Islands on 8th December, 1999. As at 17th May, 2000, we have assumed that the restructuring of the Founder Data Group has been completed and Founder Data has, therefore, four subsidiaries, namely; Beijing AdTargeting Inc. (80.1% — *Note 1*), (“AdTargeting”), Founder EC-Media Limited (100%) (“EC-Media”), Founder EC-Tech Limited (100%) (“EC-Tech”) and Founder E-Town Limited (60%) (“E-Town”), and two associated company, namely, Founder iASPEC Limited (40% — *Note 2*) (“iASPEC”) and MC. Founder Limited (40%) (“MC. Founder”). AdTargeting, EC-Media and EC-Tech have started operations while E-Town, iASPEC and MC. Founder are at the planning stage.

Note 1 — As at 17th May, 2000, 20% was registered in the name of Founder Data and 60.1% in the name of Beijing Founder Electronics Co. Ltd. As at the report date, 60.1% equity interests in AdTargeting (held by Beijing Founder Electronics Co. Ltd.) has been transferred to Founder Data.

Note 2 — As at 17th May, 2000, Founder Data held 4,000 shares out of the total issued 9,100 shares of Founder iASPEC Limited, the remaining 5,100 shares were held by an independent third party. As at the report date, a further 900 new shares have been issued to F2 Consultant Limited as nominee on behalf of the directors of Founder iASPEC Limited acting in their capacity as the trustees of a discretionary trust for the benefits of the employees of Founder iASPEC Limited.

The Founder Data Group operates three major businesses through AdTargeting, EC-Media and EC-Tech:

ADTARGETING

AdTargeting was established by Founder Holdings Limited (“Founder”) (through Founder Data and Beijing Founder Electronics Co., Ltd.) and Yahoo! Inc. Upon Completion, Founder Data and Datacom will hold 80.1% and 19.9% of the registered capital of AdTargeting respectively. AdTargeting aims to act as an internet advertising agency in the PRC following the “Double Click” model. With Founder’s extensive publishing client-base in the PRC, AdTargeting is hoping to be able to command a leading position in the rapidly growing internet advertising market by establishing strategic alliances with major media companies in the PRC to form a Super Media Alliance (“SMA”). At present, the company has established strategic alliances with more than 30 newspaper and magazine publishers in the PRC to act as their internet advertising sales agent.

EC-MEDIA

EC-Media builds and operates business-to-business (“B2B”) e-commerce platforms (i) to facilitate content production, storage and on-line transactions of press content such as news and photos between publishers and Internet content providers (ICPs) in the PRC; (ii) to facilitate advertising between publishers and advertisers; (iii) and to engage in other e-commerce operations in the media industry. It aims to be a leading application service provider for content production cooperation between publishers, advertising agent and ICPs.

At present, the PRC Government does not permit ICPs which are not conventional news publishing houses to set up their own reporter teams to gather information. Thus, news publishing houses enjoy an absolute advantage in respect of information sources. The information released publicly by news publishing houses usually represents only a small portion of the gathered material, with most kept by news publishing houses as reference material. EC-Media is set up to capture this niche B2B e-commerce market by providing a centralized media storage database and a platform to trade the stored content between media companies and ICPs.

EC-TECH

EC-Tech is a software vendor of e-commerce solutions and internet security products, focusing on the development of e-commerce platform technology. EC-Tech is engaged in internet technology research and development, e-commerce platform/technology/product development, e-commerce solutions and security and consulting services.

We confirm that we have reviewed contracts, memoranda of understanding and other pertinent data relating to the Founder Data Group and its proposed channels provided by the Founder Data Group and its advisers. We believe such information to be reliable and legitimate. We have also made relevant inquiries and obtained further information as considered necessary for the purposes of this valuation. We have assumed the accuracy of information as provided and relied to a considerable extent on such information in arriving at our opinion of value.

APPENDIX II BUSINESS VALUATION OF THE FOUNDER DATA GROUP

The valuation of an interest in the Founder Data Group requires consideration of all pertinent factors affecting the operation of the business and its ability to generate future investment returns. The factors considered in this valuation included, but were not limited, to the following:

- the nature of the business and the history of the operation from its inception;
- the financial condition of the business;
- the economic outlook in general and the specific economic environment for the business;
- past and projected operating results;
- the operational contracts and agreements in relation to the business;
- the potential of the business and industrial outlook;
- comparative advantages and disadvantages of the business and industry;
- market-derived investment returns of entities engaged in similar lines of business; and
- the financial and business risk of the enterprise including the continuity of income and the projected future results.

In assessing the market value of the Founder Data Group, we have adopted the revenue multiple approach technique. Under the revenue multiple approach, value is derived by multiplying a single year's revenue by the market price to revenue multiple. In this instance, we have applied a price to revenue ratio to the unaudited expected revenue for period starting 1st July, 2000 to 30th June, 2001 for each of AdTargeting, EC-Media and EC-Tech. The unaudited expected revenue for period starting 1st July, 2000 to 30th June, 2001 of AdTargeting, EC-Media and EC-Tech is approximately US\$7.6 million, US\$1.6 million and US\$0.9 million respectively.

In addition, we have taken into account the time value of money by discounting at a rate of 35%, 27% and 26%, respectively on the unaudited expected revenues to approximately US\$5.9 million (for AdTargeting), US\$1.3 million (for EC-Media) and US\$0.75 million (for EC-Tech) as at 17th May, 2000 for the purpose of the valuation.

The use of historical multiples on projected revenues is usual in the investment community. In the case of companies which are not expected to have significant revenues in the first year of operations, the relevant multiples can be applied to the projected revenues in the second or sometimes third year's projections with a discount. In this regard, we have discounted the projected revenues back to 17th May, 2000.

AdTargeting

We believe a price to revenue multiple for AdTargeting of 9 to be reasonable and justifiable. The price to revenue multiple was derived after considering various public listed internet advertising agent companies in the US with a discount of 20% to allow for differences between the US and the PRC markets. The multiple of 9 is derived from the median number of 11.5 (i.e. the middle figure between the upper and lower halves of the multiples) calculated from the price to revenue multiples of the comparable companies used as at 17th May, 2000 and applying a 20% discount to reflect the differences between US companies and the PRC companies, rounded to the nearest integral number.

EC-Media

We believe a price to revenue multiple for EC-Media of 3 to be reasonable and justifiable. The price to revenue multiple was derived after considering various public listed content trading companies in the US. The multiple of 3 is derived from the median number of 3.7 calculated from the price to revenue multiples of the comparable companies used as at 17th May, 2000 and applying a 20% discount to reflect the differences between US companies and the PRC companies, rounded to the nearest integral number.

EC-Tech

We believe a price to revenue multiple for EC-Tech of 20 to be reasonable and justifiable. The price to revenue multiple was derived after considering various public listed software companies in the US. The multiple of 20 is derived from the median number of 25.3 calculated from the price to revenue multiples of the comparable companies used as at 17th May, 2000 and applying a 20% discount to reflect the differences between US companies and the PRC companies, rounded to the nearest integral number.

The companies we have made reference to are listed companies of similar business nature (internet advertising agent companies, content trading companies and software companies) in the US to the Founder Data Group's operations in the PRC (details of which are set out in the tables below). We have not made reference to private companies as we consider that accurate information concerning these companies may either not be available or may not represent public market information. In determining the price to revenue multiple, we have considered the current operations of the Founder Data Group, the likely long term growth in revenue, its capital structure, the ease with which an interest in the Founder Data Group could be liquidated and other relevant factors we deem necessary. In support of the business valuation, we have made reference to the market value of the Founder Data Group using other appropriate valuation approaches in order to ensure

APPENDIX II BUSINESS VALUATION OF THE FOUNDER DATA GROUP

the reasonableness of our indicated value attributed to the Founder Data Group's operations based on the revenue multiple approach technique.

	Price to Revenue Ratio	Price as at 17th May, 2000 US\$	Sales per Share US\$
AdTargeting's Comparable			
Quintel Communications, Inc.	1.479	2.500	1.690
Avenue A, Inc.	3.28	15.750	4.800
24/7 Media, Inc.	4.093	23.125	5.650
L90, Inc.	4.637	8.625	1.860
ValueClick, Inc.	5.000	13.750	2.750
Exactis.com, Inc	5.378	13.500	2.510
Life Minders Inc.	10.420	26.375	2.53
NetCreations	12.751	31.750	2.490
Mediaplex	18.858	32.625	1.730
DoubleClick, Inc.	19.198	56.250	2.930
Engage.com	19.324	18.938	0.980
Be Free, Inc	40.669	11.750	0.289
Go Online Networks, Corp.	128.136	0.297	0.002
Global Network, Inc.	2,245.833	6.125	0.003
EC-Media's Comparable			
NewsEDGE	0.70	2.94	4.19
OneSource	2.03	8.00	3.95
DST System	3.68	70.81	19.24
Infonautics	3.71	5.91	1.59
Scoop, Inc	4.06	1.63	0.40
Factset Research System	7.30	26.56	3.64
InfoSpace	245.50	61.38	0.25
EC-Tech's Comparable			
AXENT	4.67	19.88	4.26
Ion Networks	5.35	10.06	1.88
Cylink Corp	5.66	12.50	2.21
Pilot Network	5.73	13.00	2.27
Open Market	6.04	12.38	2.05
Rsa Security	10.45	57.38	5.49
WatchGuard	25.26	36.63	1.45
Preview Systems	25.40	15.75	0.62
Digimarc Corp	29.45	43.88	1.49
ISS Group	31.10	93.00	2.99
Sonic Wall	46.32	63.00	1.36
Check Point	60.51	182.75	3.02
Trend Micro	65.63	13.13	0.20
InterTrust Tech	416.07	20.25	0.05

In arriving at our assessed value, we have only considered revenue streams for AdTargeting, EC-Media, and EC-Tech. We have not considered revenue generated by E-Town, iASPEC and MC. Founder as they are not yet in operation at this stage.

In determining the value of the Founder Data Group, we have made the following key assumptions:

- In order to realise the growth potential of the business and maintain a competitive edge, additional manpower, equipment and facilities are necessary to be employed. For the valuation exercise, we assume that all proposed facilities and equipment will work properly and will be sufficient for future expansion.
- There will no material change in the existing political, legal, technological, fiscal or economic condition which adversely affect the business of the Founder Data Group.
- Operational and contractual terms bound by contracts and agreements will be honoured.
- Its competitive advantages and disadvantages do not change significantly during the operating period.

The conclusion of value is based on generally accepted valuation procedures and practices that rely substantially on the use of the above assumptions and the consideration of many uncertainties, such as changes in interest rate and market condition, not all of which can be easily quantified or ascertained. Further, while the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Founder Data Group and ourselves.

In determining the discount rate of 35%, 27% and 26% for the three major subsidiaries of the Founder Data Group, we have taken into account a number of factors including the current market information and the underlying risk inherent in the business, such as uncertainty risk, liquidity risk, exchange risk. etc.

The value for the three major subsidiaries, namely, AdTargeting (80.1%), EC-Media (100%) and EC-Tech (100%) is US\$43 million, US\$4 million and US\$15 million, respectively.

Based on the investigation and analysis outlined in this report, it is our opinion that as at 17th May, 2000, the market value of a 100% equity interest in the Founder Data Group is reasonably stated by the amount of US\$62 million (US DOLLARS SIXTY TWO MILLION).

Yours faithfully,
For and on behalf of
Sallmanns (Far East) Limited
Brett A. Shadbolt
Managing Director

APPENDIX III**SUMMARY OF FINANCIAL INFORMATION ON MIT,
ITS SUBSIDIARIES AND ASSOCIATED COMPANIES****THREE YEAR FINANCIAL SUMMARY**

The following is an extract of the audited financial statements of MIT, its subsidiaries and associated companies for the three years ended 31st December 1999 (the date to which the latest audited financial statements were made up), as restated to comply with the revised Statements of Standard Accounting Practice 1 and 2 which became effective in 1999.

	Year ended 31st December,		
	1999	1998	1997
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CONSOLIDATED PROFIT AND LOSS ACCOUNT			
TURNOVER	<u>314,296</u>	<u>367,397</u>	<u>332,997</u>
OPERATING PROFIT/(LOSS)	3,742	(43,981)	108,667
Share of profits less losses of			
— jointly controlled entities	14,830	(2,812)	(1,193)
— associated companies	<u>(1)</u>	<u>1</u>	<u>(165)</u>
PROFIT/(LOSS) BEFORE TAXATION	18,571	(46,792)	107,309
Taxation (charge)/credit	<u>(531)</u>	<u>515</u>	<u>(1,405)</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	18,040	(46,277)	105,904
Minority interests	<u>—</u>	<u>(3)</u>	<u>(104)</u>
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	<u>18,040</u>	<u>(46,280)</u>	<u>105,800</u>
As at 31st December,			
	1999	1998	1997
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CONSOLIDATED BALANCE SHEET			
DEFERRED DEVELOPMENT COSTS	3,709	240	—
FIXED ASSETS	105,756	103,421	67,462
CONSTRUCTION IN PROGRESS	476	2,660	8,444
INVESTMENTS IN JOINTLY CONTROLLED ENTITIES	46,189	32,038	34,301
LONG-TERM INVESTMENTS	1,075	855	855
CURRENT ASSETS	<u>170,137</u>	<u>175,259</u>	<u>195,281</u>
TOTAL ASSETS	<u>327,342</u>	<u>314,473</u>	<u>306,343</u>
CURRENT LIABILITIES	131,827	137,863	86,887
LONG-TERM LIABILITIES	6,552	5,687	1,585
MINORITY INTERESTS	<u>2,349</u>	<u>2,349</u>	<u>1,671</u>
TOTAL LIABILITIES AND MINORITY INTERESTS	<u>140,728</u>	<u>145,899</u>	<u>90,143</u>
NET ASSETS	<u>186,614</u>	<u>168,574</u>	<u>216,200</u>

1. RESPONSIBILITY FOR THE CONTENTS OF THIS CIRCULAR

This circular includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to Founder Group and MIT, its subsidiaries and associated companies.

The information contained in this circular (other than that relating to MIT, its subsidiaries and associated companies) is supplied by the Company. The directors of the Company collectively and individually accept full responsibility for the accuracy of such information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, their opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular (other than that relating to MIT, its subsidiaries and associated companies) the omission of which would make any of their statements contained herein misleading.

The information contained in this circular relating to MIT, its subsidiaries and associated companies (other than that relating to the Founder Data Group and the Founder Group) is supplied by MIT. The directors of MIT collectively and individually accept full responsibility for the accuracy of such information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, their opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular (other than that relating to the Founder Data Group and the Founder Group) relating to MIT, its subsidiaries and associated companies the omission of which would make any of their statements contained herein misleading.

The issue of this circular has accordingly been approved by the respective directors of the Company and MIT.

2. DISCLOSURE OF INTERESTS**(a) Directors' interests in shares**

As at the Latest Practicable Date, Mr. Cheung has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors nor chief executive of the Company had any interest in any equity or debt securities of the Company or any associated corporations (within the meaning of the SDI Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which they were deemed or taken to have under section 31 of part I of the Schedule to the SDI Ordinance) or which were required to be notified to the Company and the Stock Exchange or which were required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein.

(b) Directors' rights to acquire shares

Pursuant to the Company's share option scheme, the Company has granted options in respect of the Company's ordinary shares in favour of certain Directors, the details of which are as follows:

Name of director	Number of outstanding share options	Exercise period of share options	Exercise price of share options <i>HK\$</i>
Wang Xuan	10,800,000	31.3.00 to 6.12.05	1.397
Cheung Shuen Lung	9,360,000	31.3.00 to 6.12.05	1.397

Save as disclosed above, at no time during the period from 31st March, 2000 to the Latest Practicable Date were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name of shareholder	Number of shares held	%
Peking University	393,402,210	35.01
Peking University Founder Group Corporation ("Peking Founder")	393,402,210	35.01
Mexican Gold Limited	120,000,000	10.68

Note: Peking Founder is wholly owned by the Peking University. The interests disclosed under the Peking University represent its deemed interests in the shares of the Company by virtue of its interest in Peking Founder.

Save as disclosed above, no person, other than Directors, whose interests are set out in the section "Directors' interests in shares" under the section headed "DISCLOSURE OF INTERESTS" in this report, had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

4. MATERIAL CONTRACTS

Save for the Sale and Purchase Agreement and the Subscription Agreements, the following contracts, not being contracts in the ordinary course of business, were entered into by the Company or its subsidiaries within the two years preceding the date of the Announcement and are or may be material:

- (a) the Disposal Agreement dated 31st July, 1998 made between Beijing Founder Electronics Co., Ltd. (“Founder Electronics”), a wholly-owned subsidiary of the Company, and Peking University Founder Group Corporation (“Peking Founder”) pursuant to which Founder Electronics sold its ownership in, and all its right, obligations and liabilities in respect of, Founder Electronics — Dongguan Information Equipment Manufacturing Branch and Peking Founder — Shenzhen Branch to Peking Founder for a total consideration of approximately HK\$56.14 million; and
- (b) the Acquisition Agreement dated 2nd June, 1999 made between the Company and Mexican Gold Limited (“Mexican Gold”) pursuant to which the Company acquired the entire issued share capital of Sparkling Idea Limited from Mexican Gold for a consideration of approximately HK\$320 million.

5. DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors of the Company has entered into a service contract with the Company for an initial term of two to five years and continuing thereafter, subject to re-election by the shareholders of the Company. The service contract can be terminated by either the Director concerned or the Company giving to the other not less than one year’s notice.

Save as disclosed above, no Director has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

6. DIRECTORS INTERESTS IN CONTRACTS

Save for the Sale and Purchase Agreement and the Subscription Agreements, none of the Directors has or has had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31st December, 1999, being the date to which the latest published audited financial statements was made up.

7. LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

8. QUALIFICATION

The following is the qualification of the expert who have given an opinion or advice which is contained in this circular:

Name	Qualification
Sallmanns (Far East) Limited	Valuers, Chartered Surveyors

Sallmanns (Far East) Limited is not beneficially interested in the share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and does not have any interest, either directly or indirectly, in any assets which have been, since 31st December, 1999, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. CONSENT

Sallmanns (Far East) Limited has given and has not withdrawn its written consents to the issue of this circular with the inclusion of the texts of its letters and references to its name in the form and context in which it is included.

10. MISCELLANEOUS

- (a) The English text of this circular and form of proxy shall prevail over the Chinese text.
- (b) The branch share registrar and transfer office of the Company in Hong Kong is Central Registration Hong Kong Limited of Suite 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The secretary of the Company is Mr. Ho Yui Pok, ACA, AHKSA.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the principal office of the Company at Unit 1408, 14th Floor, Cable TV Tower, No. 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong up to and including 25th September, 2000.

- (a) the Memorandum of Association and Bye-laws of the Company;
- (b) the Sale and Purchase Agreement;
- (c) the Subscription Agreements;
- (d) the valuation report referred to in Appendix II;
- (e) the written consents referred to in paragraph 9 in this Appendix; and
- (f) the annual reports of the Company for each of the years ended 31st December, 1998 and 31st December, 1999.

NOTICE OF SPECIAL GENERAL MEETING



FOUNDER HOLDINGS LIMITED

(Incorporated in the Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that a special general meeting of Founder Holdings Limited (the “Company”) will be held at Unit 1408, 14th Floor, Cable TV Tower, No. 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong at 11:00 a.m. on Monday, 25th September, 2000 for the purpose of considering and, if though fit, passing, with or without modifications, the following resolution as ordinary resolution:

ORDINARY RESOLUTION

“**THAT**

- (a) a conditional agreement (the “Sale and Purchase Agreement”, a copy of which marked “A” has been produced to the meeting and signed by the Chairman of the meeting for the purpose of identification) dated 17th May, 2000 between Founder Electronics (HK) Limited (“Founder Electronics”), F2 Consultant Limited, Mr. Cheung Shuen Lung, Mr. Lei Hon Sang, Mr. Xiao Jian Guo, Mr. Zhang Zhao Dong, Mr. Wei Xin and Mr. Jiang Bi Jin (together, the “Vendors”), Management Investment & Technology (Holdings) Limited (“MIT”) and the Company, pursuant to which, among others, MIT agreed to purchase or procure the purchase from the Vendors of the entire issued share capital of Founder Data Corporation International Limited (“FDC”) for a total consideration of HK\$439,560,000, to be satisfied by the allotment and issue of a total of 439,560,000 new shares (the “Consideration Shares”) of HK\$0.10 each in MIT (“Shares”) to each of the Vendors (or as it may direct) in such numbers as set out in Schedule 1 to the Sale and Purchase Agreement, credited as fully paid at a price of HK\$1.00 per Share, be and is hereby approved, ratified and confirmed;
- (b) the sale by Founder Electronics of its shareholding in FDC to MIT in consideration of an issue of 307,690,000 Consideration Shares (being part of the total of 439,560,000 Consideration Shares, and being approximately proportionate to the percentage shareholding of Founder Electronics in FDC) contemplated under the Sale and Purchase Agreement and all other transactions contemplated under the Sale and Purchase Agreement be and are hereby approved; and
- (c) the directors of the Company be and are hereby authorised on behalf of the Company to sign, seal, execute, perfect, deliver and do all such documents, deeds, acts, matters and things as they may in their decision consider necessary or desirable for the purpose of or in connection with implementation of the Sale and Purchase Agreement and the exercise or enforcement of any of the rights of Founder Electronics under the Sale and Purchase Agreement including, inter alia, upon the Sale and Purchase Agreement becoming unconditional, the authority to complete the Sale and Purchase Agreement and/or to procure completion of the same and to make and agree such variations of a non-material nature in the terms of the Sale and Purchase Agreement as they may in their discretion consider to be desirable and in the interests of the Company.”

By Order of the Board
Founder Holdings Limited
Ho Yui Pok
Company Secretary

Hong Kong, 9th September, 2000

NOTICE OF SPECIAL GENERAL MEETING

Notes:

1. A member of the Company entitled to attend and vote at the special general meeting convened by the above notice is entitled to appoint another person as his/her proxy to attend and vote on his behalf. A proxy need not be a member of the Company.
2. Where there are joint registered holders of any shares of the Company, any one of such joint holders may vote at the special general meeting, either personally or by proxy, in respect of such shares of the Company as if he/she were solely entitled thereto. But if more than one of such joint holders be present at the special general meeting personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy and the power of attorney (if any), under which it is signed or a notarially certified copy of that power of attorney or authority must be returned to the office of the Company's branch registrar in Hong Kong, Central Registration Hong Kong Limited at Suite 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the special general meeting or any adjournment thereof. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting, in which event, the instrument appointing a proxy shall be deemed to be revoked.
4. A form of proxy for use at the special general meeting is enclosed herewith.