
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



A letter from the board of directors of Founder Holdings Limited is set out on pages 3 to 7 of this circular. A letter from the Independent Board Committee (as defined herein) of the Company is set out on pages 8 to 9 of this circular. A letter from KGI Capital Asia Limited containing its advice to the Independent Board Committee (as defined herein) of the Company is set out on pages 10 to 16 of this circular.

A notice convening the special general meeting to be held at 10:00a.m. on Friday, 19 December 2008 at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong is set out on pages 23 to 24 of this circular. Whether or not you are able to attend the special general meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible to the principal place of business of Founder Holdings Limited at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong and in any event not later than 48 hours before the time of the special general meeting or any adjournment thereof (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 special general meeting should you so wish.

3 December 2008

* For identification purpose only

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DEFINITIONS

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

“Announcement”	the announcement made by the Company dated 18 November 2008
“associate(s)”	has the meaning as ascribed to it in the Listing Rules
“Board”	the board of Directors
“Bye-law(s)”	the bye-law(s) of the Company (as amended from time to time)
“Company”	Founder Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee comprising all independent non-executive Directors namely, Mr Li Fat Chung, Dr Hu Hung Lick, Henry and Ms Wong Lam Kit Yee, established for the purpose of advising the Independent Shareholders in relation to the transactions contemplated under the Peking Founder Master Agreement and the proposed annual caps for the three years ending 31 December 2011
“Independent Shareholders”	Shareholders other than Peking Founder and its associates
“KGI Capital”	KGI Capital Asia Limited, a licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities, which has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the transactions contemplated under the Peking Founder Master Agreement and the proposed annual caps for each of the three years ending 31 December 2011
“Latest Practicable Date”	1 December 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Peking Founder”	北大方正集團有限公司 (Peking University Founder Group Company Limited*), a company established in the PRC with limited liability, the controlling shareholder of the Company which holds approximately 32.49% of the issued share capital of the Company
“Peking Founder Group”	Peking Founder and its subsidiaries
“Peking Founder Master Agreement”	the master agreement to be entered into between Peking Founder and the Company in relation to the provision of information products and services to the Group by the Peking Founder Group for a term of three years from 1 January 2009 to 31 December 2011
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region and Taiwan for the purpose of this circular
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong (as amended from time to time))
“SGM”	the special general meeting of the Company to be held at 10:00 a.m. on Friday, 19 December 2008 to approve the transactions contemplated under the Peking Founder Master Agreement and the proposed caps thereunder
“Shareholder(s)”	holder(s) of ordinary share(s) of HK\$0.1 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

For illustrative purposes only, RMB is converted into HK\$ at an exchange rate of RMB1.00 = HK\$1.132 in this circular.

** For identification purpose only*

LETTER FROM THE BOARD



(Incorporated in Bermuda with limited liability)

(Stock Code: 00418)

Executive Directors:

Mr Zhang Zhao Dong (*Chairman*)
Professor Xiao Jian Guo (*Deputy Chairman*)
Mr Liu Xiao Kun (*President*)
Professor Wei Xin
Mr Chen Geng
Mr Xie Ke Hai

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal place of business in Hong Kong:

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

Independent non-executive Directors:

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

3 December 2008

To the Shareholders

Dear Sir or Madam,

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(A) INTRODUCTION

Reference is made to the Announcement in relation to the transactions contemplated under the Peking Founder Master Agreement.

As a result of the continuous growth in the sales of software products and in order to strengthen the Group's capability to develop proprietary software products, the Company proposes to enter into the Peking Founder Master Agreement with Peking Founder pursuant to which the Group will purchase information products and research and development services from the Peking Founder Group.

Peking Founder is the controlling shareholder of the Company holding approximately 32.49% of the issued share capital of the Company, and thus a connected person of the Company for the purposes of the Listing Rules. Accordingly, the transactions contemplated under the Peking Founder Master Agreement will constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

* *For identification purpose only*

LETTER FROM THE BOARD

The purpose of this circular is (i) to provide you with more information relating to the Peking Founder Master Agreement; (ii) to set out the opinions and recommendations of the Independent Board Committee on the Peking Founder Master Agreement and the proposed annual caps for the three years ending 31 December 2011; (iii) to set out the opinions and recommendations of KGI Capital to the Independent Board Committee and the Independent Shareholders in this regard; and (v) to give you the notice of the SGM.

(B) PURCHASE OF INFORMATION PRODUCTS AND RESEARCH AND DEVELOPMENT SERVICES FROM PEKING FOUNDER GROUP

As a result of the continuous growth in the sales of software products and in order to strengthen the Group's capability to develop proprietary software products, the Company proposes to enter into the Peking Founder Master Agreement with Peking Founder pursuant to which the Group will purchase information products and research and development services from the Peking Founder Group.

It is proposed that the Peking Founder Master Agreement will commence on 1 January 2009 for a term of three years and expire on 31 December 2011. Pursuant to the Peking Founder Master Agreement, the Group will purchase from the Peking Founder Group information products and services such as information software and hardware products, system integration products, software development services, and hardware/system integration development services.

The Peking Founder Group will provide information products and research and development services to the Group at market prices determined at the relevant time: (i) with reference to the prices and credit terms at which such products and services are supplied, on normal commercial terms in its ordinary and usual course of business, to independent third party customers in the local market and/or adjacent regions; or (ii) where no comparables as stated in (i) are available, with reference to the prices and credit terms at which such products and services are supplied, on normal commercial terms in its ordinary and usual course of business, to independent third party customers in the PRC; or (iii) where none of the above comparables is available, with reference to the prices and credit terms agreed between the parties on arm's length basis.

LETTER FROM THE BOARD

Historical figures and annual caps

The following table sets out the actual purchase figures of the information products and research and development services by the Group from the Peking Founder Group for each of the two years ended 31 December 2007 and the 10 months ended 31 October 2008 as well as the proposed annual caps for the three years ending 31 December 2011:

	Year ended 31 December 2006 <i>RMB' million</i>	Year ended 31 December 2007 <i>RMB' million</i>	10 months ended 31 October 2008 <i>RMB' million</i>	Year ending 31 December 2009 <i>RMB' million</i>	Year ending 31 December 2010 <i>RMB' million</i>	Year ending 31 December 2011 <i>RMB' million</i>
Actual purchases	2.53	0.52	0.22	N/A	N/A	N/A
Proposed annual caps	N/A	N/A	N/A	12	14	19

The proposed annual caps contemplated under the Peking Founder Master Agreement are determined with reference to the estimated sales of the software products by the Group for the three years ending 31 December 2011 and the Company's projection for its growth requirement relating to its research and development capability. Previously the Group did not outsource much of its research and development work to the Peking Founder Group and has been undertaking most of the research and development work on its own. By developing a stronger co-operation with the Peking Founder Group, the Group will be able to outsource part of its research and development work to the Peking Founder Group with higher flexibility in terms of staff administration, headcount management, cost control and project management.

(C) REASONS FOR AND BENEFITS OF THE PEKING FOUNDER MASTER AGREEMENT

The Peking Founder Group is principally engaged in the information technology industry, including software and system development for the publishing sector and various government bureaus and financial institutions and hardware manufacturing for personal computers, chips, circuit boards and other terminal equipment, and the healthcare and pharmaceutical industry, including hospitals, pharmaceuticals, logistics, equipment leasing and hospital management. One of the businesses engaged by the Peking Founder Group is the provision of software solutions and services.

The Group is principally engaged in software development and system integration relating to the media industry and non-media industries relating to financial institutions, commercial enterprises and government departments in the PRC. The Group purchases information hardware products for its customers in order to establish computer systems. It also provides software and hardware solutions to its clients as well as for use in its software development business.

LETTER FROM THE BOARD

The Company intends to strengthen its capability of developing proprietary software products in the future in order to enable the Company to gain higher market share in the software development and system integration business in the PRC. Compared with recruiting more research and development staff and acquiring the relevant equipments, the Board considers it more cost effective to leverage on the research and development capability of the Peking Founder Group for the time being, so that the Group could maximize its profit margin.

The Board considers that the terms of the Peking Founder Master Agreement were arrived at after arm's length negotiations between the parties involved. The Peking Founder Master Agreement will be entered into in the ordinary and usual course of business of the Group. The executive Directors consider that the transactions under the Peking Founder Master Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and that the proposed annual caps for the transactions thereon are fair and reasonable.

(D) CONTINUING CONNECTED TRANSACTIONS

Peking Founder is the controlling shareholder of the Company holding approximately 32.49% of the issued share capital of the Company, and thus a connected person of the Company for the purposes of the Listing Rules. Accordingly, the transactions contemplated under the Peking Founder Master Agreement will constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

Since the applicable percentage ratios in respect of the proposed annual caps under the Peking Founder Master Agreement exceeds 2.5% and the annual consideration exceeds HK\$10,000,000, the transactions contemplated under the Peking Founder Master Agreement shall be subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

The Independent Board Committee, which comprises all three independent non-executive Directors, has been established to advise the Independent Shareholders in connection with the terms of the transactions contemplated under the Peking Founder Master Agreement and the proposed annual caps for the three years ending 31 December 2011.

(E) SGM

A notice convening the SGM to be held at 10:00 a.m., on Friday, 19 December 2008 at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong is set out on pages 23 to 24 of this circular for the purpose of considering and, if thought fit, passing the ordinary resolution in relation to the Peking Founder Master Agreement and the proposed annual caps for the three years ending 31 December 2011.

The ordinary resolution to be proposed at the SGM will be determined by way of poll by the Independent Shareholders. Peking Founder and its associates are interested in 367,179,610 shares of the Company and controlled the voting rights of such shares, representing approximately 32.49% of the issued share capital of the Company as at the Latest Practicable Date. Peking Founder and its associates are required to abstain from voting at the SGM in respect of the ordinary resolution.

LETTER FROM THE BOARD

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

(F) RECOMMENDATION

KGI Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Peking Founder Master Agreement and the proposed annual caps for the three years ending 31 December 2011.

The Independent Board Committee, having taken into account the advice of KGI Capital, are of the view that the transactions contemplated under the Peking Founder Master Agreement are in the ordinary and usual course of business of the Group and are on normal commercial terms, the terms of the transactions contemplated under the Peking Founder Master Agreement and the proposed annual caps for the three years ending 31 December 2011 are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution set out in the notice of SGM enclosed to this circular.

GENERAL

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

Yours faithfully,
For and on behalf of the Board
Founder Holdings Limited
Zhang Zhao Dong
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



(Incorporated in Bermuda with limited liability)

(Stock Code: 00418)

3 December 2008

To the Independent Shareholders

Dear Sir or Madam,

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 3 December 2008 issued by the Company (the “**Circular**”) of which this letter forms part. Terms used in this letter shall bear the same meanings as given to them in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the terms of the transactions contemplated under the Peking Founder Master Agreement which require approval by the Independent Shareholders and the proposed annual caps of such transactions for the three years ending 31 December 2011 and to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the transactions contemplated under the Peking Founder Master Agreement and the proposed annual caps for the three years ending 31 December 2011 and to recommend how the Independent Shareholders should vote at the SGM. KGI Capital has been appointed to advise us, the Independent Board Committee, in relation to the transactions contemplated under the Peking Founder Master Agreement and the proposed annual caps for the three years ending 31 December 2011.

We wish to draw your attention to the letter from the Board, as set out on pages 3 to 7 of the Circular, and the letter from KGI Capital to the Independent Board Committee containing its advice in respect of the terms of the transactions contemplated under the Peking Founder Master Agreement and the proposed annual caps for the three years ending 31 December 2011, as set out on pages 10 to 16 of the Circular.

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account of the principal factors and reasons considered by KGI Capital and its conclusion and advice, we consider that transactions contemplated under the Peking Founder Master Agreement are in the ordinary and usual course of business of the Group and are on normal commercial terms, the terms of the transactions contemplated under the Peking Founder Master Agreement and the proposed annual caps for the three years ending 31 December 2011 are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the transactions contemplated under the Peking Founder Master Agreement and the proposed annual caps of such transactions for the three years ending 31 December 2011.

Yours faithfully,
Independent Board Committee

Li Fat Chung
*Independent non-
executive Director*

Hu Hung Lick, Henry
*Independent non-
executive Director*

Wong Lam Kit Yee
*Independent non-
executive Director*

LETTER FROM KGI CAPITAL

Set out below is the text of the letter of advice from KGI Capital Asia Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders of Founder Holdings Limited prepared for inclusion in this circular.



KGI Capital Asia Limited

27/F, ICBC Tower
Citibank Plaza
3 Garden Road
Central, Hong Kong

Tel: 2878 6888

Fax: 2970 0080

3 December 2008

To the Independent Board Committee and the Independent Shareholders

Founder Holdings Limited

Unit 1408, 14th Floor

Cable TV Tower

9 Hoi Shing Road

Tsuen Wan

New Territories, Hong Kong

Dear Sirs or Madams,

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Peking Founder Master Agreement and the proposed annual caps for each of the three years ending 31 December 2011 under the Peking Founder Master Agreement (the “Proposed Annual Caps”), particulars of which are set out in the “Letter from the Board” (the “Letter”) contained in the circular to the Shareholders dated 3 December 2008 (the “Circular”), of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

As stated in the Letter, pursuant to the Peking Founder Master Agreement, the Group will purchase from the Peking Founder Group information products and services such as information software and hardware products, system integration products, software development services, and hardware/system integration development services.

LETTER FROM KGI CAPITAL

Peking Founder is the controlling shareholder of the Company holding approximately 32.49% of the issued share capital of the Company as at the Latest Practicable Date and thus a connected person of the Company for the purposes of the Listing Rules. Accordingly, the transactions contemplated under the Peking Founder Master Agreement will constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules. Since the applicable percentage ratios in respect of the proposed annual caps under the Peking Founder Master Agreement exceeds 2.5% and the annual consideration exceeds HK\$10,000,000, the transactions contemplated under the Peking Founder Master Agreement shall be subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all three independent non-executive Directors, namely Mr Li Fat Chung, Dr Hu Hung Lick, Henry and Ms Wong Lam Kit Yee, has been established to advise the Independent Shareholders as to whether the terms of the transactions contemplated under the Peking Founder Master Agreement and the Proposed Annual Caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

We, KGI Capital Asia Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether or not the terms of the transactions contemplated under the Peking Founder Master Agreement and the Proposed Annual Caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information, financial information and facts supplied, and the opinions and representations expressed to us by the Company, its Directors and management of the Company. We have also assumed that all such information, financial information, facts, statements of belief, opinion and intention and representation made to us by the Directors or referred to in the Circular were reasonably made after due and careful enquiry and are based on honestly-held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations referred to in the Circular and provided to us by the Company, its Directors and management of the Company. We have been advised by the Directors that no material facts have been omitted from the information provided to us and referred to in the Circular. We have also assumed that all statement of intention of the Company, its Directors and management of the Company as set out in the Circular will be implemented. We have assumed that all information and representations made or referred to in the Circular and provided to us by the Company, its Directors and management of the Company, for which they were solely and wholly responsible, were true, complete and accurate at the time they were made and shall continue to be true, complete and accurate at the date of the SGM.

In formulating our opinion, we have obtained and reviewed relevant information and documents provided by the Company and its Directors and management of the Company in connection with the transactions and discussed with the management of the Company so as to assess the fairness and reasonableness of the terms of the transactions contemplated under the Peking Founder Master

LETTER FROM KGI CAPITAL

Agreement and the Proposed Annual Caps. Relevant information and documents included, among other things, the annual report of the Company for the year ended 31 December 2007, the interim report of the Company for the six months ended 30 June 2008, the Peking Founder Master Agreement, the calculation and the basis of determination of the Proposed Annual Caps provided by the Company (the "Calculation"). We believe that we have reviewed sufficient information to enable us to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion regarding the terms of the transactions contemplated under the Peking Founder Master Agreement and the Proposed Annual Caps. We have not, however, carried out any independent verification of the information and representations provided to us by the management of the Company and the Directors nor have we conducted any form of independent investigation into the businesses and affairs, financial position or the future prospects of the Company, Peking Founder or their respective subsidiaries or associated companies.

Our opinion is necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations and opinions made available to us as of, the Latest Practicable Date. Our opinion does not in any manner address the Company's own decision to proceed with the entering into the Peking Founder Master Agreement and to determine the Proposed Annual Caps. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein, which may come or be brought to our attention after the Latest Practicable Date. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the transactions contemplated under the Peking Founder Master Agreement and the Proposed Annual Caps, we have taken the following principal factors and reasons into consideration:

1. Background of and reasons for entering into the Peking Founder Master Agreement

As stated in the Letter, the Peking Founder Group is principally engaged in the information technology industry, including software and system development for the publishing sector and various government bureaus and financial institutions and hardware manufacturing for personal computers, chips, circuit boards and other terminal equipment, and the healthcare and pharmaceutical industry, including hospitals, pharmaceuticals, logistics, equipment leasing and hospital management. One of the businesses engaged by the Peking Founder Group is the provision of software solutions and services.

The Group is principally engaged in software development and system integration relating to the media industry and non-media industries relating to financial institutions, commercial enterprises and government departments in the PRC. The Group purchases information hardware products for its customers in order to establish computer systems. It also provides software and hardware solutions to its clients as well as for use in its software development business.

LETTER FROM KGI CAPITAL

As stated in the Letter, as a result of the continuous growth in the sales of software products and in order to strengthen the Group's capability to develop proprietary software products, the Company proposes to enter into the Peking Founder Master Agreement with Peking Founder pursuant to which the Group will purchase information products and research and development services from the Peking Founder Group.

As stated in the Letter, the Group intends to strengthen its capability of developing proprietary software products in the future in order to enable the Group to gain higher market share in the software development and system integration business in the PRC. Compared with recruiting more research and development staff and acquiring the relevant equipments, the Board considers it is more cost effective to leverage on the research and development capability of the Peking Founder Group for the time being, so that the Group could maximize its profit margin. In addition, as stated in the Letter, previously the Group did not outsource much of its research and development work to the Peking Founder Group and has been undertaking most of the research and development work on its own. By developing a stronger co-operation with the Peking Founder Group, the Group will be able outsource of its research and development work to the Peking Founder Group with higher flexibility in terms of staff administration, headcount management, cost control and project management.

We understand from the Directors that, given the Peking Founder Group has been providing the information products and services to the Group for the past years which have, inter alia, unique specifications to the products of the Group which may not be generally available in the open market, it is justifiable for the Group to purchase such products and/or services from the Peking Founder Group by entering into the Peking Founder Master Agreement with the Peking Founder Group in order to ensure a stable supply of information products as well as research and development services.

The executive Directors consider that the transactions contemplated under the Peking Founder Master Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered (i) the entering into the Peking Founder Master Agreement with Peking Founder is generally in line with the business strategy and falls within the principal scope of business of the Group; (ii) it allows the Group to maximize its profit margin by leveraging the research and development capability of the Peking Founder Group; (iii) the Group has been purchasing the information software and hardware products and research and development services from the Peking Founder Group for the past years; and (iv) as confirmed by the Directors, by developing a stronger co-operation with the Peking Founder Group, the Group will be able to outsource part of its research and development work to the Peking Founder Group with higher flexibility in terms of staff administration, headcount management, cost control and project management, therefore, we are of the view that the entering into the Peking Founder Master Agreement is in the interests of the Company and the Shareholders as a whole.

LETTER FROM KGI CAPITAL

2. Major terms of the Peking Founder Master Agreement

It is proposed that the Peking Founder Master Agreement will commence on 1 January 2009 for a term of three years and expire on 31 December 2011. Pursuant to the Peking Founder Master Agreement, the Group will purchase from the Peking Founder Group information products and services such as information software and hardware products, system integration products, software development services, and hardware/system integration development services.

We have reviewed the Peking Founder Master Agreement and note that, pursuant to the Peking Founder Master Agreement, the Peking Founder Group will provide information products and research and development services to the Group at market prices determined at the relevant time: (i) with reference to the prices and credit terms at which such products and services are supplied, on normal commercial terms in its ordinary and usual course of business, to independent third party customers in the local market and/or adjacent regions; or (ii) where no comparables as stated in (i) are available, with reference to the prices and credit terms at which such products and services are supplied, on normal commercial terms in its ordinary and usual course of business, to independent third party customers in the PRC; or (iii) where none of the above comparables is available, with reference to the prices and credit terms agreed between the parties on arm's length basis.

As confirmed by the Directors, the information products and services supplied by the Peking Founder Group could satisfy some unique specifications as required by the Group which may not be generally available in the open market. The Directors confirmed that after taking into account of the unique specifications to the products of the Group as mentioned before and the Group's satisfaction on the quality of products and services provided by the Peking Founder Group, apart from the Peking Founder Group, the Group did not purchase similar products/services from other suppliers.

Having considered (i) the Group's satisfaction on the quality of the products and services provided by the Peking Founder Group in the past; (ii) the abovementioned reasons for and contemplated benefits of entering into the Peking Founder Master Agreement as stated in the section headed "Background of and reasons for entering into the Peking Founder Master Agreement"; and (iii) the terms of the transactions as governed under the Peking Founder Master Agreement are agreed between the parties on arm's length basis and/or are determined with reference to prices and credit terms at which the products and/or services are supplied to independent third party customers in the local market and/or adjacent regions and/or the PRC by the Peking Founder Group as mentioned above, we are of the opinion that the terms of the Peking Founder Master Agreement are fair and reasonable so far as the interests of the Company and the Shareholders as a whole are concerned.

3. Proposed Annual Caps

Under the Peking Founder Master Agreement, the Proposed Annual Caps in respect of the purchase of information software and hardware products and research and development services from the Peking Founder Group are RMB12 million, RMB14 million and RMB19 million respectively. As stated in the Letter, the Proposed Annual Caps are determined with reference to the estimated sales of the software products by the Group for the three years ending 31 December 2011 and the Group's internal projection for its growth requirement relating to its research and development capability.

LETTER FROM KGI CAPITAL

In order to consider the fairness and reasonableness of the determination of the Proposed Annual Caps, we have taken into consideration of the following aspects:

- (i) as stated in the Letter, the Proposed Annual Caps are determined with reference to, inter alia, the estimated sales of the software products by the Group for the three years ending 31 December 2011. We have been provided by the Company the Calculation. According to the Group's internal projection, we note that the projected annual growth of the estimated sales of software products by the Group for each of the three years ending 31 December 2009, 2010 and 2011 are approximately 85%, 40% and 21% respectively. The Directors advised that the Group will launch several software products in the market in 2009, therefore, the Directors believe that the sale of software products by the Group will significantly increase in 2009. In addition, we also make reference to the information available from the public domains relating to the PRC software market. According to an article released by a PRC research center (the "Research Center") in February 2008, for the five-year period from 2008 to 2012, the market of PRC software products are expected to continue to grow at a compound annual growth rate of approximately 16.2%. In addition, according to an article published by the Ministry of Industry and Information Technology of the People's Republic of China in November 2008, the revenues in the PRC software market had increased by approximately 32.8% for the nine months ended 30 September 2008 when compared with the corresponding period in 2007. Based on extracts of a report issued by the Research Center in 2008, the revenues of the PRC software market reached approximately RMB344 billion for the first half of 2008, representing an increase of approximately 30% when compared with the corresponding period in 2007. Among the PRC software market, the revenues of the software technology services and software outsourcing services for the first half of 2008 had increased by approximately 46.8% and approximately 68.3% respectively;
- (ii) as stated in the Letter, previously the Group did not outsource much of its research and development work to the Peking Founder Group and has been undertaking most of the research and development work on its own. As confirmed by the Directors, the Group intends to strengthen its capability of developing proprietary software products in the future in order to enable the Group to gain higher market share in the software development and system integration business in the PRC and the Group expects to outsource part of its research and development work to the Peking Founder Group in the future. We, therefore, concur with the Directors' views that the research and development services to be provided by the Peking Founder Group will increase in the future;
- (iii) we note from the Calculation that, for each of the three years ending 31 December 2011, the estimated outsourcing expenses of the Group in respect of the research and development works to the Peking Founder Group will be approximately 10% to 13% lower than the estimated labour costs of its own research and development staff to be incurred should the Company not outsource and develop the software and systems on its own. As such, we consider that such anticipated cost savings to be obtained from the outsourcing arrangement is in the interests of the Company and the Shareholders as a whole;

LETTER FROM KGI CAPITAL

- (iv) we note that there is an increase of approximately 16.7% for the proposed annual cap for the year ending 31 December 2010 when compared with the proposed annual cap for the year ending 31 December 2009 and an increase of approximately 35.7% for the proposed annual cap for the year ending 31 December 2011 when compared with the proposed annual cap for the year ending 31 December 2010. In view of the current prevailing market conditions of the PRC software business industry as mentioned in the paragraph (i) above, we consider such projected annual growth rates are justifiable.

Having considered the above, we are of the opinion that the Proposed Annual Caps are reasonably determined.

Generally speaking, in our opinion, it is in the interests of the Group for the abovementioned Proposed Annual Caps to be as accommodating to the Group as possible (within reason). Provided that the pricing for the transactions contemplated under the Peking Founder Master Agreement is fair and reasonable and the conduct of those transactions would be subject to annual review by the independent non-executive Directors and auditors of the Company as required under the Listing Rules, the Group would have flexibility in conducting its businesses if the Proposed Annual Caps are tailored to future business growth. In assessing the reasonableness of the Proposed Annual Caps, we have discussed with the management of the Group regarding their estimated sales/purchase volume and the basis of the calculations. On the other hand, there is current global financial and credit crisis which may have/have had significant impact on the global economy. However, we are not able to assess the likelihood and/or extent of the impact as well as to quantify the impact on the global software or information products business and such factor, as a result, have not been taken into consideration in determining the Proposed Annual Caps. Therefore, Shareholders should note that the Proposed Annual Caps relate to future events and do not represent a forecast of amounts to be transacted as a result of the transactions contemplated under the Peking Founder Master Agreement or as an assurance by the Group of its future revenue. Consequently, we express no opinion as to how closely the actual transaction amounts under the Peking Founder Master Agreement will correspond with the Proposed Annual Caps as discussed above.

RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the terms of the transaction contemplated under the Peking Founder Master Agreement are (i) on normal commercial terms; (ii) in the ordinary and usual course of business of the Group; and (iii) fair and reasonable and in the interests of the Company and the Shareholders as a whole and the Proposed Annual Caps are fair and reasonable so far as the interests of the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the transactions contemplated under the Peking Founder Master Agreement and the Proposed Annual Caps, which will be proposed at the SGM.

Yours faithfully,

For and on behalf of
KGI Capital Asia Limited
Laurent Leung **Jimmy Chan**
Director *Senior Vice President*

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, the Directors and the chief executive of the Company had the following interests or short positions in the shares, debentures or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange:

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

Long positions in ordinary shares of EC-Founder (Holdings) Company Limited ("EC-Founder"), an associate of the Company under the SFO

Name of Director	Nature of interest	Number of ordinary shares held	Percentage of the associated corporation's issued share capital
Professor Xiao Jian Guo	Directly beneficially owned	8,703,300	0.79%
Professor Wei Xin	Directly beneficially owned	3,956,000	0.36%
Mr Zhang Zhao Dong	Directly beneficially owned	3,956,000	0.36%

(b) Directors' rights to acquire shares in the Company and any of its associated corporations*(i) Directors' interests in share options of the Company*

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

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

Name of Director	Number of share options held	Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$
Mr Zhang Zhao Dong	8,000,000	6.2.2004	7.2.2004 to 5.2.2014	0.381
Professor Wei Xin	2,000,000	18.5.2001	18.5.2001 to 17.5.2011	0.450
Professor Wei Xin	8,000,000	6.2.2004	7.2.2004 to 5.2.2014	0.381
Mr Liu Xiao Kun	5,500,000	2.1.2004	3.1.2004 to 31.12.2013	0.340

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

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which 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 31 December 2007, being the date to which the latest published audited consolidated accounts of the Company were made up.

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

3. SUBSTANTIAL SHAREHOLDERS

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

Name	Number of ordinary shares held	Percentage of the Company's issued share capital
北京北大資產經營有限公司 (Peking University Asset Management Company Limited*) (Note 1)	367,179,610	32.49%
Peking Founder	367,179,610	32.49%

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

Name of subsidiary	Name of shareholder	Percentage of shareholding
Founder Searchage Technology Limited	Webforce Limited	30%
Founder Information Ltd.	吉呈科技股份有限公司	26.32%
Hope Information Technology Co., Ltd.	中央投資股份有限公司	49%

Note:

- (1) Peking University Asset Management Company Limited was deemed to be interested in the 367,179,610 Shares under the SFO by virtue of its interest in Peking Founder.

* For identification purpose only

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

4. SERVICE CONTRACTS

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

5. EXPERT

KGI Capital is a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO.

As at the Latest Practicable Date, KGI Capital was not beneficially interested in the securities of any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, KGI Capital did not have 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 31 December 2007, being the date to which the latest published audited consolidated accounts of the Company were made up.

KGI Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name, in the form and context in which they appear.

6. COMPETING INTERESTS

As at the Latest Practicable Date, to the best knowledge and belief of the Directors after having made all reasonable enquiries, none of the Directors and their respective associates were considered to have any interests in businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

7. MATERIAL ADVERSE CHANGE

The Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2007, being the date to which the latest published audited consolidated accounts of the Company were made up.

8. LITIGATION

As at the Latest Practicable Date, neither the Company nor any other member of the Group was engaged in any litigations or claims and no litigations or claims of material importance was pending or threatened against the Company or any member of the Group.

9. PROCEDURES TO DEMAND A POLL

Bye-law 70 of the bye-laws of the Company sets out the procedure by which Shareholders may demand a poll in a general meeting of the Company:

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

- (i) the chairman of the meeting; or
- (ii) at least three Shareholders present in person or by a duly authorised corporate representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) any Shareholder or Shareholders present in person or by a duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (iv) any Shareholder or Shareholders present in person or by a duly authorised corporate representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right; or
- (v) by any Director or Directors (including the chairman of a general meeting of the Company) who, individually or collectively, hold proxies in respect of shares representing 5 per cent, or more of the total voting rights at such meeting and if on a show of hands such meeting votes in the opposite manner to the instructed in those proxies.

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

10. DOCUMENTS AVAILABLE FOR INSPECTION

The Peking Founder Master Agreement will be available for inspection at the office of the Company in Hong Kong at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong during normal business hours on any weekday (public holidays excluded) from the date of this circular up to and including Friday, 19 December 2008, the date of the SGM.

NOTICE OF SPECIAL GENERAL MEETING



(Incorporated in Bermuda with limited liability)

(Stock Code: 00418)

NOTICE IS HEREBY GIVEN that a special general meeting of Founder Holdings Limited (the “Company”) will be held at 10:00 a.m. on Friday, 19 December 2008 at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution:

ORDINARY RESOLUTION

“THAT:

- (a) the Peking Founder Master Agreement (as defined in the circular to shareholders of the Company dated 3 December 2008 (the “Circular”)) in relation to the purchase of information products and research and development services by the Group (as defined in the Circular) from the Peking Founder Group (as defined in the Circular), and all the transactions contemplated under the Peking Founder Master Agreement be and are hereby approved;
- (b) the proposed annual caps in relation to the transactions contemplated under the Peking Founder Master Agreement for each of the three years ending 31 December 2009, 2010 and 2011, being RMB12 million, RMB14 million and RMB19 million, respectively, be and are hereby approved; and
- (c) any one director of the Company be and is hereby authorised on behalf of the Company to execute all such documents, in such final form or with such amendments as that director may deem appropriate, and to do all such acts or things, as he/she may in his/her absolute discretion consider necessary or desirable, to give effect to the Peking Founder Master Agreement and the transactions contemplated therein.”

By order of the Board
Founder Holdings Limited
Zhang Zhao Dong
Chairman

Hong Kong, 3 December 2008

* *For identification purpose only*

NOTICE OF SPECIAL GENERAL MEETING

Notes:

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