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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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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**CONTINUING CONNECTED TRANSACTIONS:  
THE NEW MASTER SALES AGREEMENT**

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



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A letter from the board of directors of Founder Holdings Limited is set out on pages 4 to 9 of this circular. A letter from the Independent Board Committee (as defined herein) of the Company is set out on pages 10 to 11 of this circular. A letter from China Industrial Securities International Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 12 to 22 of this circular.

A notice convening the special general meeting to be held at 11:00 a.m. on Wednesday, 20 July 2016 at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong is set out on pages 28 to 29 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.

\* For identification purpose only

4 July 2016

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## DEFINITIONS

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

“Announcement”	the announcement made by the Company dated 16 June 2016;
“associates”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“China Industrial”	China Industrial Securities International Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the New Master Sales Agreement and its proposed annual caps;
“Company”	Founder Holdings Limited (方正控股有限公司*), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange under the stock code 00418;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Founder Information”	北大方正信息產業集團有限公司 (Peking University Founder Information Industry Group Co., Ltd.*), a company established in the PRC with limited liability, the controlling shareholder of the Company, which directly holds approximately 30.60% of the issued share capital 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 PRC;

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## DEFINITIONS

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“Independent Board Committee”	an independent board committee of the Company comprising all of the three independent non-executive Directors, namely Mr Li Fat Chung, Ms Wong Lam Kit Yee and Mr Fung Man Yin, Sammy, formed for the purpose of considering the terms of the New Master Sales Agreement and its proposed annual caps and advising and making recommendation to the Independent Shareholders as to how to vote at the SGM;
“Independent Shareholders”	Shareholders other than Peking Founder and its associates;
“Latest Practicable Date”	27 June 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Master Sales Agreement”	the agreement dated 14 December 2012 entered into between the Company and Peking Founder in relation to the sale of information products by the Group to Peking Founder Group, the details of which were set out in the announcement of the Company dated 14 December 2012 and the circular of the Company dated 3 January 2013;
“New Master Sales Agreement”	the new master sales agreement dated 16 June 2016 entered into between the Company and Peking Founder in relation to the sale of information products and the provision of hardware and software development services as well as systems integration services by the Group to Peking Founder Group;
“Peking Founder”	北大方正集團有限公司 (Peking University Founder Group Company Limited*), a company established in the PRC with limited liabilities and the controlling shareholder of the Company, which indirectly holds approximately 30.60% of the issued share capital of the Company;
“Peking Founder Group”	Peking Founder and its subsidiaries;
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region and Taiwan for the purpose of this circular;

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## DEFINITIONS

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“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGM”	the special general meeting of the Company to be convened and held for the Independent Shareholders to consider and approve, if thought fit, the New Master Sales Agreement and its proposed annual caps;
“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;
“subsidiary”	has the meaning ascribed to it under the Listing Rules; and
“%”	per cent.

*For illustrative purpose only, HK\$ is converted into RMB at an exchange rate of RMB1.00 = HK\$1.20 in this circular.*

*\* For identification purpose only*

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## LETTER FROM THE BOARD

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# FOUNDER HOLDINGS LIMITED 方正控股有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00418)**

*Executive Directors:*

Professor Xiao Jian Guo (*Chairman*)

Mr Shao Xing (*President*)

Mr Liu Jian

Professor Yang Bin

Ms Zuo Jin

Ms Sun Min

*Independent non-executive Directors:*

Mr Li Fat Chung

Ms Wong Lam Kit Yee

Mr Fung Man Yin, Sammy

*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

4 July 2016

*To the Shareholders*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS: THE NEW MASTER SALES AGREEMENT**

#### **1. INTRODUCTION**

Reference is made to the Announcement in relation to the transactions contemplated under the New Master Sales Agreement.

The purpose of this circular is to provide you with, among other things, (i) details of the transactions contemplated under the New Master Sales Agreement (including its proposed annual caps); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the New Master Sales Agreement and its proposed annual caps; (iii) a letter of advice from China Industrial to the Independent Board Committee and the Independent Shareholders in respect of the New Master Sales Agreement and its proposed annual caps; and (iv) a notice convening the SGM to the Shareholders.

\* For identification purpose only

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## LETTER FROM THE BOARD

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### 2. CONNECTED RELATIONSHIP

As Peking Founder is a controlling shareholder of the Company which indirectly holds approximately 30.60% of the Company's issued share capital, it is a connected person of the Company under Chapter 14A of the Listing Rules. As such, transactions contemplated under the New Master Sales Agreement constitute continuing connected transactions for the Company under the Listing Rules.

### 3. THE NEW MASTER SALES AGREEMENT

Reference is made to the announcement of the Company dated 14 December 2012 and the circular of the Company dated 3 January 2013 in respect of the Master Sales Agreement entered into between Peking Founder and the Company. The Master Sales Agreement expired on 31 December 2015. As the Company intends to continue to carry out the transactions contemplated under the Master Sales Agreement, the Company entered into the New Master Sales Agreement with Peking Founder on 16 June 2016, which will become effective from the date on which Independent Shareholders' approval is obtained at the SGM to 31 December 2018.

Pursuant to the New Master Sales Agreement, the Group should provide information products (including but not limited to software and hardware products as well as systems integration products) and hardware/ software development services as well as systems integration services to the Peking Founder Group. Information products acquired by the Group from third party suppliers will be supplied by the Group to the Peking Founder Group at a price based on the rack rate payable by the Group to such suppliers, exclusive of any freight charges and tax payable, at the time of purchase of the relevant information products plus a 1.4% commission which is determined with reference to the level of administrative and logistics effort. In respect of the information products developed and supplied by the Group and other services provided by the Group to the Peking Founder Group, the Group will charge the Peking Founder Group with reference to the market price of such products and services at the relevant time of purchase. Further, the Peking Founder Group should bear all the freight charges, taxes and other relevant expenses in relation to the information products supplied to the Peking Founder Group. The information products and services provided by the Group will be used in the operation and business of the Peking Founder Group.

The tables below set out the historical figures and the annual caps under the Master Sales Agreement, and the proposed annual caps under the New Master Sales Agreement:

#### Historical figures and annual caps under the Master Sales Agreement

	<b>Year ended 31 December 2013</b>	<b>Year ended 31 December 2014</b>	<b>Year ended 31 December 2015</b>
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Actual sales (Audited)	29.0	28.9	10.7
Annual caps	360.0	463.3	586.7

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## LETTER FROM THE BOARD

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### Proposed annual caps under the New Master Sales Agreement

	Year ending 31 December 2016 <i>RMB'million</i>	Year ending 31 December 2017 <i>RMB'million</i>	Year ending 31 December 2018 <i>RMB'million</i>
Proposed annual caps	46	55	67

The proposed annual caps under the New Master Sales Agreement set out above are determined based on the following:

- (a) the historical figures of the relevant transactions; and
- (b) the expected market conditions of the products and services to be supplied by the Group under the New Master Sales Agreement.

#### 4. REASONS FOR AND BENEFITS OF THE NEW MASTER SALES AGREEMENT

The Group is principally engaged in software development and provision of systems integration services relating to media and non-media industries including financial institutions, enterprises and government departments.

Peking Founder Group is principally engaged in the securities trading and brokerage; the information technology industry, including software and system development for the publishing sector and various government bureaus and financial institutions and hardware manufacturing for personal computers, chips, circuit boards and other terminal equipment; and the healthcare and pharmaceutical industry, including hospitals, pharmaceuticals, logistics, equipment leasing and hospital management.

The Directors believe that having a long-term customer such as the Peking Founder Group can effectively enhance the Group's financial performance. The Directors are of the opinion that the entering into of the New Master Sales Agreement with the proposed annual caps would encourage the Peking Founder Group to source such products and services from the Group and would therefore be beneficial to the Group.

The Directors (including the independent non-executive Directors who have provide their advice after having received and considered the advice from the independent financial adviser) consider that the entering into of the New Master Sales Agreement is (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors who have received and considered the advice from China Industrial) are also of the view that the proposed annual caps under the New Master Sales Agreement for the three years ending 31 December 2018 are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.



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## LETTER FROM THE BOARD

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As Professor Xiao Jian Guo is a director and the chief technical officer of Peking Founder, he has abstained from voting on the Board's resolution approving the transactions contemplated under the New Master Sales Agreement and its proposed annual caps. Except for the aforesaid, no other Director is considered to have a material interest in the New Master Sales Agreement.

### **5. LISTING RULES IMPLICATIONS FOR THE NEW MASTER SALES AGREEMENT**

Peking Founder is the controlling shareholder of the Company indirectly holding approximately 30.60% of the issued share capital of the Company, and thus a connected person of the Company for the purposes of the Listing Rules. Accordingly, each of the transactions contemplated under the New Master Sales Agreement will constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules exceeds 5%, the entering into of the New Master Sales Agreement and the transactions contemplated thereunder by the Company constitute non-exempt continuing connected transactions for the Company under the Listing Rules and are subject to the annual review, reporting and announcement requirements under the Listing Rules. In addition, both the New Master Sales Agreement and its proposed annual caps are subject to the approval by the Independent Shareholders under the Listing Rules.

Although the Master Sales Agreement has expired on 31 December 2015, no transaction will be undertaken pursuant to the New Master Sales Agreement unless and until Independent Shareholders' approval will have been obtained at the SGM on 20 July 2016.

### **6. SGM**

A notice convening the SGM to be held at 11:00 a.m., on Wednesday, 20 July 2016 at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong is set out on pages 28 to 29 of this circular for the purpose of considering and, if thought fit, passing the ordinary resolution in relation to the New Master Sales Agreement and its proposed annual caps. Peking Founder, being the controlling shareholder of the Company, together with its associates, and all parties involved or interested in the New Master Sales Agreement are required to abstain from voting with respect to the resolution for approving the New Master Sales Agreement and its proposed annual caps.

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## LETTER FROM THE BOARD

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The ordinary resolution to be proposed at the SGM will be determined by way of poll by the Independent Shareholders. Founder Information, an associate of Peking Founder which held 367,179,610 issued shares of the Company and controlled the voting rights of such shares, representing approximately 30.60% of the issued share capital of the Company as at the Latest Practicable Date, is required to abstain from voting at the SGM in respect of the ordinary resolution.

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.

### **7. RECOMMENDATION**

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 New Master Sales Agreement (including the proposed annual caps for the three years ending 31 December 2018).

China Industrial has been appointed to advise the Independent Board Committee and the Independent Shareholders respectively on the New Master Sales Agreement (including the proposed annual caps for the three years ending 31 December 2018).

The Independent Board Committee, having taken into account the advice of China Industrial, is of the view that the transactions contemplated under the New Master Sales Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group, and that the terms of the transactions contemplated under the New Master Sales Agreement and the proposed annual caps for the three years ending 31 December 2018 are fair and reasonable and 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.

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## LETTER FROM THE BOARD

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### 8. GENERAL

Your attention is also drawn to the letter from the Independent Board Committee, the letter from China Industrial 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**  
**Xiao Jian Guo**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00418)**

4 July 2016

*To the Independent Shareholders*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS: THE NEW MASTER SALES AGREEMENT**

We refer to the circular dated 4 July 2016 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 New Master Sales Agreement (including the proposed annual caps for the three years ending 31 December 2018) which require approval by the Independent Shareholders and to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the transactions contemplated under the New Master Sales Agreement and to recommend how the Independent Shareholders should vote at the SGM. China Industrial has been appointed to advise us, the Independent Board Committee in relation to the New Master Sales Agreement (including the proposed annual caps for the three years ending 31 December 2018).

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 9 of the Circular, and the letter from China Industrial to the Independent Board Committee and the Independent Shareholders containing its advice in respect of the New Master Sales Agreement (including the proposed annual caps for the three years ending 31 December 2018), as set out on pages 12 to 22 of the Circular.

Having taken into account the principal factors and reasons considered by China Industrial and its conclusion and advice, we consider that the transactions contemplated under the New Master Sales Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group, and that the terms of the transactions contemplated under the New Master Sales Agreement and the proposed annual caps for the

\* *For identification purpose only*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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three years ending 31 December 2018 are fair and reasonable and 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 New Master Sales Agreement and the proposed annual caps of such transactions for the three years ending 31 December 2018.

Yours faithfully,  
Independent Board Committee

<b>Li Fat Chung</b>	<b>Wong Lam Kit Yee</b>	<b>Fung Man Yin, Sammy</b>
Independent non-executive Director	Independent non-executive Director	Independent non-executive Director

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## LETTER FROM CHINA INDUSTRIAL SECURITIES INTERNATIONAL CAPITAL LIMITED

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*The following is the full text of the letter of advice from China Industrial Securities International Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



30/F  
AIA Central  
1 Connaught Road Central  
Hong Kong

4 July 2016

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

Dear Sirs,

### **CONTINUING CONNECTED TRANSACTIONS: THE NEW MASTER SALES AGREEMENT**

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the New Master Sales Agreement and the transactions contemplated thereunder, as well as the proposed annual caps for the New Master Sales Agreement for each of the three years ending 31 December 2018 (collectively, the “**Proposed Annual Caps**”) thereof, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular (the “**Circular**”) of the Company to the Shareholders dated 4 July 2016, of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

#### **THE NEW MASTER SALES AGREEMENT**

Reference is made to the announcement of the Company dated 14 December 2012 and the circular of the Company dated 3 January 2013 in respect of the Master Sales Agreement entered into between Peking Founder and the Company. The Master Sales Agreement expired on 31 December 2015. As the Company intends to continue to carry out the transactions contemplated under the Master Sales Agreement, the Company entered into the New Master Sales Agreement with Peking Founder on 16 June 2016, which will become effective from the date on which Independent Shareholders’ approval is obtained at the SGM to 31 December 2018.

As at the Latest Practicable Date, Peking Founder is the controlling shareholder of the Company indirectly holding approximately 30.60% 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 New Master Sales Agreement will constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

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## LETTER FROM CHINA INDUSTRIAL SECURITIES INTERNATIONAL CAPITAL LIMITED

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As one or more of the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules is more than 5%, the entering into of the New Master Sales Agreement and the transactions contemplated thereunder by the Company constitute non-exempt continuing connected transactions for the Company under the Listing Rules and are subject to the annual review, reporting and announcement requirements under the Listing Rules. In addition, both the New Master Sales Agreement and the Proposed Annual Caps are subject to the approval by the Independent Shareholders under the Listing Rules.

### **INDEPENDENT BOARD COMMITTEE**

An Independent Board Committee comprising Mr. Li Fat Chung, Ms. Wong Lam Kit Yee and Mr. Fung Man Yin, Sammy (all being independent non-executive Directors) has been formed to advise the Independent Shareholders on whether the terms of the New Master Sales Agreement and the transaction contemplated thereunder, as well as the Proposed Annual Caps, are in the interests of the Company and the Independent Shareholders as a whole and to advise the Independent Shareholders on how to vote. We, China Industrial Securities International Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we do not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees in connection with this appointment as the independent financial adviser, no other arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we acted as an independent financial adviser to the independent board committee and independent shareholders of the Company for a continuing connected transaction in relation to an entrusted loan master agreement as detailed in its circular dated 22 August 2014. Notwithstanding, we are independent from the Company pursuant to Rule 13.84 of the Listing Rules, in particular that we did not serve as a financial adviser to (i) the Company or its subsidiaries; (ii) Peking Founder or its subsidiaries; or (iii) any core connected person of the Company or Peking Founder within two years prior to the date of making our independence declaration to the Stock Exchange pursuant to Rule 13.85(1) of the Listing Rules.

### **BASIS OF OUR ADVICE**

In arriving at our recommendation, we have relied on the information and facts provided by the Company and have assumed that any representations made to us are true, accurate and complete. We have also relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors and the management of the Company for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the dispatch of the Circular.

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## LETTER FROM CHINA INDUSTRIAL SECURITIES INTERNATIONAL CAPITAL LIMITED

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The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading.

In formulating our opinion, we consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion, and we have discussed with the management of the Company so as to assess the fairness and reasonableness of the terms of the New Master Sales Agreement as well as the respective Proposed Annual Caps. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted any independent investigation into the business and affairs of the Company, Peking Founder or their respective subsidiaries or associates. 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.

### **THE NEW MASTER SALES AGREEMENT**

#### **Principal factors and reasons considered**

In arriving at our opinion regarding the New Master Sales Agreement and the Proposed Annual Caps thereunder, we have considered the following principal factors and reasons:

##### ***1) Background of the Group and Peking Founder Group***

The Group is principally engaged in software development and provision of systems integration services relating to the media and non-media industries including financial institutions, enterprises and government departments.

Peking Founder is a controlling shareholder of the Company which indirectly holds approximately 30.60% of the Company's issued share capital. Peking Founder Group is principally engaged in the securities trading and brokerage; 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.



2) *Background and reasons for and benefits of the New Master Sales Agreement*

Reference is made to the announcement of the Company dated 14 December 2012 and the circular of the Company dated 3 January 2013 in respect of the Master Sales Agreement entered into between Peking Founder and the Company. The Master Sales Agreement expired on 31 December 2015. As the Company intends to continue to carry out the transactions contemplated under the Master Sales Agreement, the Company entered into the New Master Sales Agreement with Peking Founder on 16 June 2016, which will become effective from the date on which Independent Shareholders' approval is obtained at the SGM to 31 December 2018.

As stated in the Letter from the Board, pursuant to the New Master Sales Agreement, the Group should provide information products (including but not limited to software and hardware products as well as systems integration products) and hardware/software development services as well as systems integration services to the Peking Founder Group. Information products acquired by the Group from third party suppliers will be supplied by the Group to the Peking Founder Group at a price based on the rack rate payable by the Group to such suppliers, exclusive of any freight charges and tax payable, at the time of purchase of the relevant information products plus a 1.4% commission which is determined with reference to the level of administrative and logistics effort. In respect of the information products developed and supplied by the Group and other services provided by the Group to the Peking Founder Group, the Group will charge the Peking Founder Group with reference to the market price of such products and services at the relevant time of purchase. Further, the Peking Founder Group should bear all the freight charges, taxes and other relevant expenses in relation to the information products supplied to the Peking Founder Group. The information products and services provided by the Group will be used in the operation and business of the Peking Founder Group.

As stated in the Letter from the Board, the Directors believe that having a long-term customer such as the Peking Founder Group can effectively enhance the Group's financial performance. The Directors are of the opinion that the entering into of the New Master Sales Agreement would encourage the Peking Founder Group to source such products and services from the Group and would therefore be beneficial to the Group.

The Directors consider that the entering into of the New Master Sales Agreement is (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

As discussed with the management of the Company, given that (i) entering into of the New Master Sales Agreement will enable the Group to maintain its ordinary course of business and the transactions contemplated under the New Master Sales Agreement is in line with the principal business and activities of the Group; (ii) the New Master Sales Agreement is expected to be a continuation and renewal of the Master Sales Agreement; (iii) the Group has established long-term business relationship with Peking Founder Group and would maintain such business relationship through the New Master

Sales Agreement; and (iv) the transactions contemplated under the New Master Sales Agreement shall be conducted on an arm's length basis and on normal commercial terms, the management of the Company considered that it is beneficial to the Company to continue to enter into the New Master Sales Agreement since these transactions have facilitated and will continue to facilitate the operation and the business growth of the Group.

Having taken into consideration of the above, we consider that the entering into the New Master Sales Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

**3) *Principal terms of the New Master Sales Agreement***

*(a) Term and termination*

The terms of the New Master Sales Agreement shall become effective from the date on which Independent Shareholders approved at the SGM and expire on 31 December 2018.

*(b) Price determination*

i. Information products acquired by the Group from third party suppliers

Information products acquired by the Group from third party suppliers will be supplied by the Group to the Peking Founder Group at a price based on the rack rate payable by the Group to such suppliers, exclusive of any freight charges and tax payable, at the time of purchase of the relevant information products plus a commission at 1.4% of the transaction amount, which is determined with reference to the level of administrative and logistics effort.

ii. Information products developed and supplied by the Group

Information products developed and supplied by the Group and other services provided by the Group to the Peking Founder Group, the Group will charge the Peking Founder Group with reference to the market price of such products and services at the relevant time of purchase.

Under the New Master Sales Agreement, the market price is determined in accordance with the following pricing principles:

- (1) with reference to the prices and credit terms at which such information products are supplied, on normal commercial terms in its ordinary and usual course of business, to independent third party customers in the local market and/or adjacent regions; or

- (2) where no comparable as stated in (1) is available, with reference to the prices and credit terms at which such information products are supplied, on normal commercial terms in its ordinary and usual course of business, to independent third party customers in the PRC; or
- (3) where no comparable as stated in (1) and (2) are available, with reference to the prices and credit terms agreed between the parties on arm's length basis.

All the freight charges, taxes and other relevant expenses in relations to the information products acquired by the Group from third party suppliers and information products developed and supplied by the Group will be borne by Peking Founder Group.

Under the New Master Sales Agreement, there is no provision requiring the Group to transact with Peking Founder Group exclusively. In other words, as confirmed by the Directors, the Group is not obligated to transact with Peking Founder Group and would only do so if it is in the commercial interests of the Group, and the New Master Sales Agreement does not restrict the Group from transacting with any other customers or distributors. Therefore, we consider that the New Master Sales Agreement provides commercial flexibility to the Group to transact with other customers or distributors in the event that the Group might not be able to agree on terms or pricing arrangement with Peking Founder Group.

As confirmed by the Directors, there is no comparable market commission rate for similar transactions contemplated under the New Master Sales Agreement available to the Group. For the purpose of evaluating the fairness and reasonableness of the terms under the New Master Sales Agreement, we have (i) carried out a review on the terms of the Master Sales Agreement approved by the Independent Shareholders in January 2013 and noted that the principal terms were similar and comparable to those of the New Master Sales Agreement; (ii) obtained and reviewed the internal financial information of the Group and noted that the average of the relevant expenses in relation to the transactions contemplated under the Master Sales Agreement was approximately 0.36% of the transaction amounts for the three years ended 31 December 2015. The Directors confirmed that the commission rate of 1.4% of the transaction amount was sufficient to cover all the administrative expenses to be incurred by the Group in relation to the transactions and was determined between the Group and Peking Founder Group after arm's length negotiation; (iii) obtained and reviewed, on a random basis, the sales contracts between the Group and the independent third parties for the information products for the three years ended 31 December 2015 and noted that the terms and the gross profit margin of the sales contracts offered to the independent third parties were materially the same as offered to the Peking Founder Group; and (iv) discussed with the Directors and the Directors confirmed that the aforementioned pricing principles will apply to all transactions with Peking Founder Group contemplated under the New Master Sales Agreement.

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**LETTER FROM CHINA INDUSTRIAL SECURITIES INTERNATIONAL CAPITAL LIMITED**

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Taking into account the above, we are of the view that the New Master Sales Agreement will be conducted on normal commercial terms or terms no less favourable to the Group than those with independent third parties. Therefore, the terms of the New Master Sales Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

**4) *The Proposed Annual Caps under the New Master Sales Agreement***

The Group estimates that the proposed annual caps under the New Master Sales Agreement, upon the Independent Shareholder's approval, with Peking Founder Group for the three years ending 31 December 2018 are RMB46 million, RMB55 million and RMB67 million respectively. As stated in the Letter from the Board, the Proposed Annual Caps are determined based on the following:

- (a) the historical figures of the relevant transactions; and
- (b) the expected market conditions of the products and services to be supplied by the Group under the New Master Sales Agreement.

Set out below are the details of (i) the historical figures for the three years ended 31 December 2015 under the Master Sales Agreement; (ii) the historical annual caps for the three years ended 31 December 2015 under the Master Sales Agreement; and (iii) the proposed annual caps for the three years ending 31 December 2018 under New Master Sales Agreement.

<i>RMB million</i>	<b>Year ended 31 December</b>			<b>Year ending 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Historical figures ( <i>audited</i> )	29.0	28.9	10.7			
Historical annual caps	360.0	463.3	586.7			
Proposed Annual Caps				46	55	67

As demonstrated in the above table, the Proposed Annual Caps are RMB46 million, RMB55 million, and RMB67 million respectively, representing an increase of approximately 19.6% and 21.8% respectively. In arriving at the above Proposed Annual Caps under the New Master Sales Agreement, the Directors have taken into account the following factors:

*(i) Overview of information technology industry in the PRC*

According to the market research report issued by Business Monitor International, an independent information provider in country risk, industry research and company intelligence, we note that (i) the spending on software sales in the PRC is estimated to reach approximately RMB164.5 billion in 2020, rising from RMB100.8 billion in 2016, representing a compound annual growth rate of approximately 13.0%; and (ii) the spending on information technology services sales will grow from RMB253.7 billion in 2016 to RMB415.8 billion in 2020, representing a compound annual growth rate of approximately 13.1%. Despite the economic uncertainty globally, the management of the Company considers that PRC's information technology market will continue to grow sustainably over the next few years.

*(ii) Leading position of Peking Founder Group*

As advised by the management of the Company, systems integration services providers in the PRC must obtain a qualification certificate to provide systems integration services and the qualification is divided into four grades from grades 1 (the highest) to 4 (the lowest). In addition, certain systems integration projects in the newspaper industry, broadcasting industry and public opinion related business require the grade 1 qualification certificate (一級資質證書). As (i) Founder International, one of the group members of Peking Founder Group, holds the grade 1 qualification certificate; and (ii) Peking Founder Group has established good and long-term business relationship with banks and insurance companies in the PRC, the management of the Company considers that Peking Founder Group is well poised to become one of the major systems integration services suppliers in the PRC, in particular in the financial and media sectors. As such, as advised by the management of the Company, it is expected that the demand of information products from Peking Founder Group will be increased.

*(iii) Agreements under negotiation between the Group and the Peking Founder Group*

To further assess the Proposed Annual Caps, we have discussed with the management of the Company and understand that several agreements between the Group and the Peking Founder Group are currently under negotiation and could be executed after the Independent Shareholder's approval in the SGM. We note that the total contract sum currently under negotiation is approximately RMB41.7 million, representing approximately 90.7% of the proposed annual cap for the year ending 31 December 2016.

- (iv) The Proposed Annual Caps under the New Master Sales Agreement are substantially lower than the historical annual caps under the Master Sales Agreement*

We have noted the Proposed Annual Caps are (i) substantially lower than the historical annual caps for the three years ended 31 December 2015 under the Master Sales Agreement, which were RMB360.0 million, RMB463.3 million and RMB586.7 million respectively; and (ii) close to the actual sales figures for the three years ended 31 December 2015, which were RMB29.0 million, RMB28.9 million and RMB10.7 million respectively. The management of the Company confirmed that they considered the low utilization rate of the historical annual caps under the Master Sales Agreement when they were in the discussion of the New Master Sales Agreement with Peking Founder.

Having considered the abovementioned, together with the historical business relationship between the Group and Peking Founder Group, we consider the Proposed Annual Caps are reasonably determined. However, Shareholders should note that the Proposed Annual Caps under the New Master Sales Agreement relate to future events and do not represent a forecast of revenue to be generated to the Group.

#### **LISTING RULES IMPLICATIONS**

The continuing connected transactions under the New Master Sales Agreement are subject to the annual review requirements under the Rules 14A.55 to 14A.59 of the Listing Rules. In particular:

- a) the independent non-executive Directors must review the continuing connected transactions under the New Master Sales Agreement every year and confirm in the annual report whether the transactions have been entered into:
  - i) in the ordinary and usual course of business of the Group;
  - ii) on normal commercial terms or better; and
  - iii) according to the New Master Sales Agreement governing the relevant transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole;
- b) Every year the auditors of the Company must provide a letter to the Board and provide a copy of such letter to the Stock Exchange, confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions under the New Master Sales Agreement:
  - i) have not been approved by the Board;
  - ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;

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## LETTER FROM CHINA INDUSTRIAL SECURITIES INTERNATIONAL CAPITAL LIMITED

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- iii) were not entered into, in all material respects, in accordance with the New Master Sales Agreement governing the transactions; and
- iv) have exceeded the Proposed Annual Caps.
- c) The Company will comply with all other relevant requirements under the Listing Rules.

We note from the annual report of the Company for the year ended 31 December 2015 that the auditors of the Company have reviewed the continuing connected transactions contemplated under the Master Sales Agreement for the financial year ended 31 December 2015 and issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules.

Taking into account of the conditions attached to the continuing connected transactions under the New Master Sales Agreement to comply with all relevant requirements under the Listing Rules (which include the annual review and/or confirmation by the independent non-executive Directors and auditors of the Company on the actual execution of the transactions contemplated under the New Master Sales Agreement pursuant to the Listing Rules), we consider that the above annual review requirements and procedures can provide appropriate measures to govern the Company in carrying out the transactions contemplated under the New Master Sales Agreement and safeguard the interests of the Company and its Shareholders as a whole.

### RECOMMENDATION

Having considered the principal factors and reasons discussed above, we are of the view that (i) the entering into of the New Master Sales Agreement is fair and reasonable and in the ordinary and usual course of business of the Group, and is in the interests of the Group and the Shareholders as a whole; (ii) the terms of the New Master Sales Agreement are on normal commercial terms, are fair and reasonable so far as the Company and the Independent Shareholders are concerned and are in the interests of the Group and the Shareholders as a whole; and (iii) the Proposed Annual Caps are reasonably determined, and are fair and reasonable so far as the Company and 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 favor of the relevant resolutions to be proposed at the SGM to approve the New Master Sales Agreement, and the respective Proposed Annual Caps thereof.

Yours faithfully,

For and on behalf of

**China Industrial Securities International Capital Limited**

**Leung Kin Cheong, Laurent**      **Lu Ting Pong, Johnny**  
*Managing Director*                      *Director*

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**LETTER FROM CHINA INDUSTRIAL SECURITIES INTERNATIONAL CAPITAL LIMITED**

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*Mr. Leung Kin Cheong, Laurent is a licensed person and the principal and the responsible officer of China Industrial Securities International Capital Limited registered with the SFC to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over ten years of experience in corporate finance industry.*

*Mr. Lu Ting Pong, Johnny is a licensed person and the responsible officer of China Industrial Securities International Capital Limited registered with the SFC to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over ten years of experience in corporate finance industry.*



**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 the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**2. DISCLOSURE OF INTERESTS BY DIRECTORS**

As at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2015, 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 was known to any Director or chief executive of the Company, other than a Director or chief executive of the Company, the following persons had interests or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

*Long Positions:*

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
北大資產經營有限公司 (Peking University Asset Management Company Limited*)	1	Through a controlled corporation	367,179,610	30.60
Peking Founder	2	Through a controlled corporation	367,179,610	30.60
Founder Information		Directly beneficially owned	367,179,610	30.60

\* For identification purpose only

*Notes:*

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.
2. Peking Founder was deemed to be interested in the 367,179,610 shares under the SFO by virtue of its interest in Founder Information.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, other than a Director or chief executive of the Company, no persons had interests or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such capital.

**4. DIRECTORS' SERVICE CONTRACTS**

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

**5. EXPERT**

China Industrial is a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under SFO.

As at the Latest Practicable Date, China Industrial 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, China Industrial 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 2015, being the date to which the latest published audited consolidated accounts of the Company were made up.

China Industrial 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. LITIGATION AND CLAIMS**

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

**7. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors or their respective associates had any personal interests in companies engaged in businesses, which compete or may compete with the Group.

## 8. MATERIAL CONTRACTS

The following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the Latest Practicable Date:

- (a) the technology transfer agreements and fixed assets transfer agreement entered into between Founder Digital Publishing Technology (Shanghai) Co., Ltd\* (上海方正數字出版技術有限公司) (“Shanghai Founder”) and Beijing Founder Electronics Co., Ltd.\* (北京北大方正電子有限公司) (“Founder Electronics”) on 31 October 2014, for the acquisition of patents and fixed assets from Shanghai Founder at a consideration of RMB7.89 million and approximately RMB0.18 million; and
- (b) the technology transfer agreement entered into between Founder Mobile Media Technology (Beijing) Co., Ltd.\* (方正移動傳媒技術(北京)有限公司) (“Founder Mobile”) and Founder Electronics on 31 October 2014, for the acquisition of patents from Founder Mobile at a consideration of RMB2 million.

\* For identification purpose only

## 9. MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited consolidated accounts of the Company were made up.

## 10. GENERAL

The company secretary of the Company is Ms Tang Yuk Bo, Yvonne, FCS, FCIS.

The registered office of the Company is situated at Canon’s Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal place of business in Hong Kong is situated at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong. The English text of this circular shall prevail over the Chinese text in case of inconsistency.

## 11. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection 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 during normal business hours on any weekday (public holidays excluded) from the date of this circular up to and including 20 July 2016, the date of the SGM:

- (i) the bye-laws of the Company;
- (ii) the annual reports of the Company for the two years ended 31 December 2015;
- (iii) the New Master Sales Agreement;

- (iv) the material contracts referred to in the paragraph headed “Material contracts” in this appendix;
- (v) the letter from the Independent Board Committee, the text of which is set out on pages 10 to 11 of this circular;
- (vi) the letter from China Industrial, the text of which is set out on pages 12 to 22 of this circular; and
- (vii) the letter of consent from China Industrial referred to in the paragraph headed “Expert” above.

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## NOTICE OF SGM

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*(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 11:00 a.m. on Wednesday, 20 July 2016 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 New Master Sales Agreement (as defined in the circular to the shareholders of the Company dated 4 July 2016) be and is hereby approved;
- (b) the proposed annual caps in relation to the transactions contemplated under the New Master Sales Agreement for the three years ending 31 December 2018 be and are hereby approved; and
- (c) any one Director be and is hereby authorised 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 New Master Sales Agreement and the transactions contemplated thereunder.”

By order of the Board  
**Founder Holdings Limited**  
**Xiao Jian Guo**  
*Chairman*

Hong Kong, 4 July 2016

*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.

\* *For identification purpose only*

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## NOTICE OF SGM

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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, Peking University Founder Information Industry Group Co., Ltd. is 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.