
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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**(1) ADVANCE TO AN ENTITY,
MAJOR TRANSACTION,
CONTINUING CONNECTED TRANSACTION –
2016 ENTRUSTED LOAN MASTER AGREEMENT
AND
(2) PROPOSED RE-ELECTION OF DIRECTOR
AND
(3) NOTICE OF SGM**

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



A letter from the Board of Founder Holdings Limited is set out on pages 4 to 13 of this circular. A letter from the Independent Board Committee is set out on pages 14 to 15 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 29 of this circular.

A notice convening the special general meeting to be held at 10:00 a.m. on Friday, 9 December 2016 at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong is set out on pages 37 to 38 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

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DEFINITIONS

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

“2014 Entrusted Loan Master Agreement”	the entrusted loan master agreement dated 28 July 2014 entered into between the Company and Peking Founder, pursuant to which the Group would, subject to certain conditions, provide short-term loans through a financial institution (to be designated by the parties) to Peking Founder Group;
“2016 Entrusted Loan Master Agreement”	the entrusted loan master agreement dated 25 October 2016 entered into between the Company and Peking Founder, pursuant to which the Group would, subject to certain conditions, provide short-term loans through a financial institution (to be designated by the parties) to Peking Founder Group;
“Announcement”	the announcement of the Company dated 25 October 2016 in relation to, among other things, the 2016 Entrusted Loan Master Agreement;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Business Day(s)”	means day(s) (excluding a Saturday and Sunday) on which banks generally are open for business in Hong Kong;
“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 (Stock Code: 00418);
“connected person”	has the meaning ascribed to it in the Listing Rules;
“Director(s)”	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 and 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;

DEFINITIONS

“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	The independent board committee comprising the independent non-executive Directors;
“Independent Shareholders”	Shareholders other than Founder Information and its associates;
“Independent Financial Adviser” or “China Everbright”	China Everbright Capital Limited, 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, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the 2016 Entrusted Loan Master Agreement (including the proposed annual caps for the three years ending 31 December 2019);
“Latest Practicable Date”	10 November 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“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 and the controlling shareholder of the Company which, through its wholly-owned subsidiary, Founder Information, 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;
“RMB”	Renminbi, the lawful currency of the PRC;
“SGM”	the special general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve (among other things), the 2016 Entrusted Loan Master Agreement and its annual caps and the re-election of the retiring Director;

DEFINITIONS

“Shares”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	the holder(s) of Shares;
“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 = HK\$1.16 in this circular.

** For identification purpose only*

LETTER FROM THE BOARD



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

*Head office and principal place
of business in Hong Kong:*

Unit 1408, 14th Floor

Cable TV Tower

9 Hoi Shing Road

Tsuen Wan

New Territories

Hong Kong

15 November 2016

To the Shareholders,

Dear Sir or Madam,

**(1) ADVANCE TO AN ENTITY,
MAJOR TRANSACTION AND
CONTINUING CONNECTED TRANSACTION –
2016 ENTRUSTED LOAN MASTER AGREEMENT
AND
(2) PROPOSED RE-ELECTION OF DIRECTOR
AND
(3) NOTICE OF SGM**

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the 2016 Entrusted Loan Master Agreement.

The purposes of this circular are to provide you with, among other things, (1) further information relating to the details of the 2016 Entrusted Loan Master Agreement and the annual caps; (2) a letter of advice from the Independent Financial Adviser to the

* *For identification purpose only*

LETTER FROM THE BOARD

Independent Board Committee and the Independent Shareholders; (3) the recommendation of the Independent Board Committee to the Independent Shareholders; (4) the details of the re-election of Mr. Shao Xing as an executive Director; and (5) a notice of the SGM.

2016 ENTRUSTED LOAN MASTER AGREEMENT

Date: 25 October 2016

Parties: The Company, as the lender; and
Peking Founder, as the borrower

The Company previously entered into the 2014 Entrusted Loan Master Agreement which will expire on 31 December 2016. The Company expects to continue such entrusted loan arrangement with Peking Founder and has entered into the 2016 Entrusted Loan Master Agreement with Peking Founder pursuant to which the Group would provide, subject to certain conditions, short-term loans through a financial institution (to be designated by the parties) to Peking Founder Group. Such loans will be unsecured and interest-bearing at the prevailing benchmark RMB lending interest rate for loan period of six months offered by The People's Bank of China (the "PBOC") plus 15% of such rate. For example, if the prevailing benchmark RMB lending interest rate as quoted by the PBOC is 5% per annum, the interest rate for the entrusted loans under the 2016 Entrusted Loan Agreement would be 5.75% per annum. In determining the interest rate for the entrusted loans, the Directors took into account that the average interest rate for the bank loans obtained by the subsidiary of the Group in the PRC is at a prevailing benchmark RMB lending interest rate for loan period of six months offered by the PBOC plus below 15% of such rate. In view of this, the Directors considered that interest rate adopted under the 2016 Entrusted Loan Agreement is in the interests of the Company and the Shareholders as a whole. Under the 2016 Entrusted Loan Master Agreement, no collateral will be provided by Peking Founder to the Company. Separate entrusted loan agreements will be entered into among the Group, Peking Founder Group and the designated financial institution upon request by Peking Founder pursuant to the terms and conditions of the 2016 Entrusted Loan Master Agreement.

In assessing the default risk of Peking Founder Group, the management of the Group has reviewed the financial statements, repayment history, and credit report of Peking Founder Group. The unaudited consolidated net assets of Peking Founder Group as at 30 June 2016 is RMB53,913 million (as at 31 December 2015 (audited): RMB53,705 million). The audited consolidated turnover and net profit attributable to the shareholders of Peking Founder Group for the year ended 31 December 2015 are RMB80,511 million (for the year ended 31 December 2014: RMB74,754 million) and RMB1,253 million (for the year ended 31 December 2014: RMB137 million) respectively. In addition, the entrusted loans provided to Peking Founder Group by the Group under the 2014 Entrusted Loan Master Agreement were all repaid in time without any defaults. Furthermore, the principal credit rating of Peking Founder is "AA-", being the second class out of ten classes in this regard.

LETTER FROM THE BOARD

The management of the Group noticed that certain banking facilities of the Group are either guaranteed by Peking Founder Group or secured by standby letter of credit or letter of comfort of Peking Founder, and the bank loans obtained by the subsidiary of the Company in the PRC (which provided entrusted loans to Peking Founder Group) are unsecured and guaranteed by Peking Founder Group.

The banking facilities of the Group which are either guaranteed by Peking Founder Group or secured by standby letter of credit or letter of comfort of Peking Founder (the “Banking Facilities”) as at 31 December 2014 and 2015 and 30 June 2016 are HK\$368 million, HK\$658 million and HK\$542 million respectively. The amount of the Banking Facilities as at 30 June 2016 is larger than the proposed annual caps for the entrusted loans under the 2016 Entrusted Loan Master Agreement (the “Proposed Annual Caps”). The maximum aggregated balance of the bank loans drawn under the Banking Facilities for the year ended 31 December 2014 and 2015 and the six months ended 30 June 2016 are HK\$131 million, HK\$117 million and HK\$146 million respectively.

Taking into account that (1) the amount of the Banking Facilities is larger than the Proposed Annual Caps, (2) the repayment history of Peking Founder of the loans granted by the Group under the 2014 Entrusted Loan Master Agreement, (3) the credit rating of Peking Founder, (4) the comparison of the potential interest rates of loans with collecteral and without collecteral, and (5) the strong business performance and financial position of Peking Founder, the Directors are of the view that the credit risk of Peking Founder is low, and providing entrusted loans without collateral are consistent with previous transactions under 2014 Entrusted Loan Master Agreement, will not cause substantial risks to the financial position of the Company, and therefore are on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

Term

The 2016 Entrusted Loan Master Agreement will, subject to the satisfaction of the conditions precedent set out below, become effective from 1 January 2017 and expire on 31 December 2019.

LETTER FROM THE BOARD

Historical Figures and Annual Caps for the Entrusted Loans

The following table sets out (i) the historical figures of the average entrusted loans (representing the average balance of the principal and interests of the relevant entrusted loans) for each of the two years ended 31 December 2015 and six months ended 30 June 2016, (ii) historical annual caps under the 2014 Entrusted Loan Master Agreement for each of the two years ended 31 December 2015 and the year ending 31 December 2016, and (iii) the Proposed Annual Caps (representing the maximum balance of the principal and interests of the relevant entrusted loans) for each of the three years ending 31 December 2019:

	<i>(RMB'000)</i>						
	Year ended 31 December 2014	Year ended 31 December 2015	Six months ended 30 June 2016	Year ending 31 December 2016	Year ending 31 December 2017	Year ending 31 December 2018	Year ending 31 December 2019
Historical figures	204,043	285,392	175,370	N/A	N/A	N/A	N/A
Historical Annual Cap	320,000	331,200	N/A	342,792	N/A	N/A	N/A
Proposed Annual Cap	N/A	N/A	N/A	N/A	405,000	405,000	405,000

The percentage of the Proposed Annual Caps to the aggregate of cash and cash equivalents and entrusted loans receivable of the PRC subsidiary that will provide entrusted loans to Peking Founder Group as at 30 June 2016 was 68%.

The Proposed Annual Caps are determined based on average cash and bank balance available of a subsidiary of the Group and its average total monthly net profit/loss for the six months ended 30 June 2016. The average cash and bank balance of the subsidiary increased in 2016 as compared with that in 2015, so the cash and bank balance available for entrusted loans increased accordingly. Therefore, the proposed annual cap for the year ending 31 December 2017 increased to RMB405,000,000. It is expected that such subsidiary's cash and bank balance from 2017 to 2019 will remain stable. Therefore, the Proposed Annual Caps remains at RMB405,000,000 for each of the three years ending 31 December 2019.

Repayment Terms

The entrusted loans are repayable within six months from the date of drawing of the relevant entrusted loans. If Peking Founder Group fails to repay the outstanding amount under the relevant entrusted loan agreements, Peking Founder Group shall be liable to pay, on a daily basis, a default interest at the rate of 0.02% of the total outstanding loan amount, until all of the principal amount, the interests together with other applicable charges and/or fees are fully repaid.

LETTER FROM THE BOARD

Events of Default

If any of the following matters arise, the entrusted loans are repayable forthwith, unless otherwise waived by the Company in writing:

1. Peking Founder Group provides false balance sheets, profit and loss statements and other financial statements or provides such statements with material concealment, or refuses supervision on its use of entrusted loans;
2. The representations, warranties and undertakings made and given by Peking Founder under the 2016 Entrusted Loan Master Agreement or those made and given by the borrower pursuant to the relevant entrusted loan agreement proves to be untrue or misleading;
3. In the reasonable opinion of the Company based on relevant evidences, there has been a serious deterioration in the operating and financial position of Peking Founder or of the borrower under the relevant entrusted loan agreement;
4. Peking Founder or the borrower under the relevant entrusted loan agreement is in breach of its obligations as borrower or guarantor under any other loan agreements;
5. Peking Founder or the borrower under the relevant entrusted loan agreement fails to make a repayment arrangement or debt restructuring plan to the satisfaction of the lender and trustee bank when it is undergoing a merger, split or share reform;
6. Peking Founder or the borrower under the relevant entrusted loan agreement is insolvent, dissolved, closed, revoked, suspended or deregistered;
7. Peking Founder ceases to be a controlling shareholder (as defined in the Listing Rules) of the Company; or
8. Peking Founder fails to perform its undertaking or other undertakings under the 2016 Entrusted Loan Master Agreement.

Conditions

The 2016 Entrusted Loan Master Agreement is conditional upon, among other things, the fulfillment of the following conditions:

1. the passing of the resolution by the Independent Shareholders at the SGM and by the Board for approving the terms of the 2016 Entrusted Loan Master Agreement pursuant to the Listing Rules and the Company's bye-laws; and
2. the board of directors of Peking Founder having approved the terms of the 2016 Entrusted Loan Master Agreement pursuant to the articles of association of Peking Founder.

LETTER FROM THE BOARD

Reasons for and Benefits of the 2016 Entrusted Loan Master Agreement

Peking Founder Group is principally engaged in the securities trading and brokerage and the information technology industry, including software and system development for the publishing sector, 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 Group is principally engaged in software development and the provision of systems integration services relating to the media and non-media industries including financial institutions, enterprises and government departments.

Since no member of the Group is a licensed financial institution, the Group is not authorized to carry out banking related businesses in the PRC. The entrusted loans under the 2016 Entrusted Loan Master Agreement will be granted by the designated financial institution to Peking Founder Group on behalf of the Group, from time to time, on a short-term basis and on normal and commercial terms.

As at 30 June 2016, the Group has cash and bank balance of HK\$588.7 million with unutilised banking facilities available in the amount of HK\$97.7 million and HK\$195.1 million in Hong Kong and the PRC, respectively.

In order to fully utilize the Group's surplus cash and unutilized banking facilities in the PRC and enhance the monetary return of such surplus fund, the Company has made proposals for loan arrangements in the form of entrusted loans through a financial institution designated by the Group and Peking Founder Group. Before forming such proposal, the Board has discussed the advantages and disadvantages of other alternative utilities of its surplus cash balance and compared those alternatives with the loans to Peking Founder Group, such as investments in wealth management products in the PRC, and has reached the conclusion that the market risk and credit risk of such alternatives are relatively high and the risk-adjusted return is relatively low.

Given that:

- i. the current interest rates on bank deposits of the Group for three months and six months are ranged from 1.1% to 1.4% per annum and 1.3% to 1.65% per annum, which are relatively low as compared with that of entrusted loans;
- ii. the potential interest rates of the entrusted loans without collaterals under the 2016 Entrusted Loan Master Agreement are higher than the potential interest rates of the entrusted loans with collecteral; and
- iii. the market risk and credit risk of other wealth management products in the PRC are relatively high and the risk-adjusted returns are relatively low as compared with entrusted loans to Peking Founder Group.

LETTER FROM THE BOARD

the Company considers that the transaction contemplated under the 2016 Entrusted Loan Master Agreement will facilitate the Group in its effort to maximize the Group's surplus cash and unutilized banking facilities in the PRC.

As at the date of this circular, the transaction amounts of the continuing connected transactions under the 2014 Entrusted Loan Master Agreement have not exceeded the annual caps for the year ending 31 December 2016 as set out in the 2014 Entrusted Loan Master Agreement.

The banking facilities of the Group in the PRC are unsecured and guaranteed by Peking Founder while the banking facilities of the Group in Hong Kong are secured by properties of the Group in Hong Kong and pledged deposits of the Group and its related companies. The entrusted loans contemplated under the 2016 Entrusted Loan Master Agreement are to be provided by the subsidiary of the Group in the PRC and its banking facilities in the PRC are unsecured and guaranteed by Peking Founder. In view of that (1) the Proposed Annual Caps only accounts for 44% of the cash and cash equivalents, entrusted loan receivable and the unutilized banking facilities as at 30 June 2016 available to the Group; (2) the financial position of the Group; (3) the entrusted loans provided to Peking Founder Group are all short-terms; and (4) the Group is not obliged to enter into any separate agreements with Peking Founder Group regarding entrusted loans and will consider several factors before granting entrusted loans to Peking Founder Group as discussed below, the Directors are of the view that the loan arrangement under the 2016 Entrusted Loan Master Agreement would not create significant liquidity risk to the Group.

Under the 2016 Entrusted Loan Master Agreement, the Group is not mandatory to provide entrusted loans to Peking Founder Group. The Group will consider its financial position, future use of cash, and review the financial position and repayment history of Peking Founder Group before providing the entrusted loans upon request by Peking Founder Group. The Group will also consider other alternatives for utilizing the cash balance, such as the interest rate of bank deposit and the risk-adjusted return of other wealth management products, before entering into separate entrusted loan agreement with Peking Founder Group.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Peking Founder was the controlling shareholder of the Company indirectly holding approximately 30.60% of the issued capital of the Company and thus a connected person of the Company for the purpose of the Listing Rules. Accordingly, the proposed transactions contemplated under the 2016 Entrusted Loan Master Agreement will constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

Further, provision of the entrusted loans under the 2016 Entrusted Loan Master Agreement may also constitute (i) advance to an entity under Rule 13.13 of the Listing Rules, (ii) financial assistance provided by the Company not in the ordinary and usual course of business and a major transaction under Chapter 14 of the Listing Rules. Since one or more of the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules in respect of the 2016 Entrusted Loan Master Agreement exceeds 25%, the transactions

LETTER FROM THE BOARD

contemplated under the 2016 Entrusted Loan Master Agreement shall be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Professor Xiao Jian Guo is a director and chairman of Peking Founder, Professor Xiao Jian Guo has abstained from voting on the Board's resolutions approving the proposed transactions contemplated under the 2016 Entrusted Loan Master Agreement.

INFORMATION ABOUT THE COMPANY

The Company is an investment holding company. The Group is principally engaged in software development and systems integration.

INFORMATION ABOUT PEKING FOUNDER

Peking Founder is the controlling shareholder of the Company indirectly holding approximately 30.60% of the issued share capital of the Company. Peking Founder is principally engaged in the securities trading and brokerage and the information technology industry, including software and system development for the publishing sector, 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. Peking University Assets Management Company Limited (北大資產經營有限公司) is the ultimate beneficial owner of Peking Founder and holds 70% of shareholding interests in Peking Founder as at the Latest Practicable Date. Beijing Zhaorun Investments Management Co. Ltd. (北京招潤投資管理有限公司) holds 30% of shareholding interests in Peking Founder as at the Latest Practicable Date.

RE-ELECTION OF THE RETIRING DIRECTOR

Reference is made to the announcement of the Company dated 6 June 2016 in relation to, among other matters, the appointment of Mr. Shao Xing as an executive Director. In accordance with paragraph A4.2 of Appendix 14 to the Listing Rules, Mr. Shao Xing will retire as an executive Director at the SGM and, being eligible, offer himself for re-election. A resolution for re-electing Mr. Shao Xing will be proposed at the SGM. Biographical details of Mr. Shao Xing are set out in the Appendix II to this circular.

LETTER FROM THE BOARD

SGM

A notice convening the SGM to be held at 10:00 a.m. on Friday, 9 December 2016 at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong is set out on pages 37 to 38 of this circular for the purpose of considering and, if thought fit, passing the ordinary resolutions in relation to (1) the 2016 Entrusted Loan Master Agreement and the Proposed Annual Caps and (2) re-election of the retiring Director. The ordinary resolutions to be proposed at the SGM will be determined by way of poll.

The resolution in relation to the 2016 Entrusted Loan Master Agreement will be determined by the Independent Shareholders. Any shareholder with a material interest in the 2016 Entrusted Loan Master Agreement and his/her/its associates will abstain from voting on the relevant resolution. Accordingly, Founder Information, an associate of Peking Founder, which holds 367,179,610 Shares (representing approximately 30.60% of total issued share capital of the Company) as at the Latest Practicable Date and is entitled to exercise control over the voting rights in respect of its shares, is required to abstain from voting with respect to the resolution for approving the 2016 Entrusted Loan Master Agreement and the Proposed Annual Caps.

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.

RECOMMENDATION

The Independent Board Committee has been established to advise the Independent Shareholders in connection with the terms of the transactions contemplated under the 2016 Entrusted Loan Master Agreement and the Proposed Annual Caps.

China Everbright has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the 2016 Entrusted Loan Master Agreement and the Proposed Annual Caps.

The Independent Financial Adviser considers that, although not entered into in the ordinary and usual course of business of the Company, the 2016 Entrusted Loan Master Agreement has been entered into on normal commercial terms and that the terms of the 2016 Entrusted Loan Master Agreement and the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Financial Adviser would advise the Independent Shareholders, as well as recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favor of the ordinary resolutions to be proposed at the SGM to approve 2016 Entrusted Loan Master Agreement and the Proposed Annual Caps.

LETTER FROM THE BOARD

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, is of the view that the transactions contemplated under the 2016 Entrusted Loan Master Agreement and the Proposed Annual Caps are on normal commercial terms, the terms of the transactions contemplated under the 2016 Entrusted Loan Master Agreement and the Proposed Annual Caps 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 in relation to the approval of the 2016 Entrusted Loan Agreement set out in the notice of SGM enclosed to this circular.

The Directors also consider that the proposal for the re-election of the retiring Director is in the interests of the Company and the Shareholders as a whole and accordingly, recommend the Shareholders to vote in favour of the relevant resolution in relation to the proposal for the re-election of the retiring Director as set out in the notice of SGM.

GENERAL

Your attention is also drawn to the letter from the Independent Board Committee, the letter from the Independent Financial Adviser and the additional information set out in Appendix I and Appendix II to this circular and the notice of SGM.

Yours faithfully,
By Order of the Board
Founder Holdings Limited
Xiao Jian Guo
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



(Incorporated in Bermuda with limited liability)

(Stock Code: 00418)

15 November 2016

To the Independent Shareholders

Dear Sir or Madam,

**ADVANCE TO AN ENTITY,
MAJOR TRANSACTION AND
CONTINUING CONNECTED TRANSACTION –
2016 ENTRUSTED LOAN MASTER AGREEMENT**

We refer to the circular dated 15 November 2016 issued by the Company (the “**Circular**”) of which this letter forms part. Terms used in this letter shall bear the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed as the Independent Board Committee to consider the 2016 Entrusted Loan Master Agreement and the Proposed Annual Caps 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 2016 Entrusted Loan Master Agreement and the Proposed Annual Caps and to recommend how the Independent Shareholders should vote at the SGM. China Everbright has been appointed as the Independent Financial Adviser to advise us in relation to the 2016 Entrusted Loan Master Agreement and the Proposed Annual Caps.

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 13 of the Circular, and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice in respect of the 2016 Entrusted Loan Master Agreement and the Proposed Annual Caps, as set out on pages 16 to 29 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 the Independent Financial Adviser and its conclusion and advice, we consider that transactions contemplated under the 2016 Entrusted Loan Master Agreement and the Proposed Annual Caps are on normal commercial terms, the terms of the transactions contemplated under the 2016 Entrusted Loan Master Agreement and the Proposed Annual Caps 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 2016 Entrusted Loan Master Agreement and the Proposed Annual Caps.

Yours faithfully,
Independent Board Committee

Li Fat Chung
*Independent non-executive
Director*

Wong Lam Kit Yee
*Independent non-executive
Director*

Fung Man Yin, Sammy
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the “Letter from the independent financial adviser” to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.



15 November 2016

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

Dear Sirs,

ADVANCE TO AN ENTITY, MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION – ENTRUSTED LOAN MASTER AGREEMENT

INTRODUCTION

We refer to our engagement as the independent financial adviser to the independent board committee (“**Independent Board Committee**”) and the independent shareholders (“**Independent Shareholders**”) in relation to the entrusted loan master agreement dated 15 November 2016 (“**2016 Entrusted Loan Master Agreement**”) entered into between the Company and Peking University Founder Group Company Limited (“**Peking Founder**”), details of which are set out in the letter from the Board (“**Letter from the Board**”) contained in this circular (the “**Circular**”) to the Independent Shareholders dated 15 November 2016 issued by the Company, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

As at the Latest Practicable Date, Peking Founder is a company established in the PRC with limited liability and the controlling shareholder of the Company which indirectly holds approximately 30.6% of the issued share capital of the Company. Therefore, Peking Founder is a connected person of the Company and the transactions contemplated under the 2016 Entrusted Loan Master Agreement will constitute continuing connected transactions (“**Continuing Connected Transaction**”) of the Company pursuant to Chapter 14A of the Listing Rules. The provision of entrusted loans may also constitute (i) advance to an entity under Rule 13.13 of the Listing Rules; (ii) financial assistance provided by the Company not in the ordinary course of business; and (iii) a major transaction under Chapter 14 of the Listing Rules. In addition, as the relevant percentage ratio(s) calculated under Rule 14.07 of the Listing Rules in respect to the proposed annual caps (the “**Proposed Annual Caps**”) for the 2016 Entrusted Loan Master Agreement exceeded 25%, the Continuing Connected Transaction will be subject to reporting, annual review, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. Peking Founder and its associates will abstain from voting at the SGM in respect of the relevant resolution.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to consider the terms of the 2016 Entrusted Loan Master Agreement, and to advise the Independent Shareholders, so far as the Independent Shareholders are concerned, as to whether the Continuing Connected Transaction, including the Proposed Annual Caps, are fair and reasonable, and whether they are in the interests of the Company and the Independent Shareholders as a whole. We, China Everbright Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

During the past two years, Mr. Alvin Kam, for and on behalf of China Everbright Capital Limited, we have not acted as an independent financial adviser to the Independent Broad Committee and the Independent Shareholders of the Company. As at the Latest Practicable Date, there were no relationships or interests between (a) Everbright Capital Limited and (b) each of the Company and its subsidiaries, Peking Founder, members of the Peking Founder that could be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transaction as detailed in the Circular.

BASIS OF OUR OPINION

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the management (“**Management**”) of the Company and have assumed that such information, facts and opinions are true and accurate. We have also sought and received confirmation from the Management that no material facts have been omitted from the information supplied and opinions expressed to us. However, we have not conducted any independent investigation into the business, operations or financial condition of the Company and its subsidiaries (the “**Group**”) or Peking Founder and its subsidiaries (the “**Peking Founder Group**”) and their associates. We have assumed that all statements and representations made or referred to in the Circular were accurate at the time when they were made and are true at the date of the Circular.

We consider we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation.

PRINCIPAL FACTORS AND REASONS TAKEN INTO ACCOUNT

In formulating our view on the Continuing Connected Transaction, we have taken into consideration the principal factors and reasons as set out below. In reaching our conclusion, we have considered the results of the analysis in light of each other and ultimately reached our opinion based on the results of all analysis taken as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(A) Background of and Reasons for the Continuing Connected Transaction

(i) *Background*

Peking Founder Group is principally engaged in securities trading and brokerage and 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 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. As advised by the Company, the Group will provide entrusted loans under the 2016 Entrusted Loan Master Agreement to Peking Founder Group through its indirect wholly-owned subsidiary, Beijing Founder Electronics Co., Ltd. ("**Founder Electronics**"), which is principally engaged in software development, systems integration and information products distribution.

Since no member of the Group is a licensed financial institution, the Group is not authorised to carry out banking related businesses in the PRC. In order to fully utilise the Group's surplus cash and unutilised banking facilities in the PRC and enhance the monetary return of such surplus fund, the Company has made proposals for loan arrangements in the form of entrusted loans through a financial institution designated by the Group and Peking Founder Group. The Company previously entered into an entrusted loan master agreement (the "**Entrusted Loan Master Agreement**") with Peking Founder on 15 July 2009, which was renewed twice by parties on 1 November 2011 and 28 July 2014 each for a term of three years, pursuant to which the Group would provide, subject to certain conditions, short-term loans through a financial institution (to be designated by the parties and being an independent third party to the Company and its connected persons) to Peking Founder Group.

The existing term of the Entrusted Loan Master Agreement will expire on 31 December 2016. Since the Continuing Connected Transaction shall continue, the Directors propose to seek Independent Shareholders' approval to renew the Entrusted Loan Master Agreement for a term effective from 1 January 2017 to 31 December 2019, subject to conditions set out in the Circular, in order to comply with the continuing connected transaction requirements under the Listing Rules.

The purpose of the 2016 Entrusted Loan Master Agreement is to provide a framework to the agreed terms and conditions governing the provision of entrusted loans to Peking Founder and each of such entrusted loan transaction to be undertaken will be subject to specific terms and conditions (including the principal loan amount, the loan period, purpose of the loan and the interest rate) under separate entrusted loan agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) Financial position of the Group

According to the 2016 interim report (“**2016 Interim Report**”) of the Company, the Group had total cash and bank balances of HKD588.7 million, comprising (i) cash and cash equivalents of approximately HKD573.5 million; and (ii) pledged deposits of approximately HKD15.2 million as at 30 June 2016 respectively. After deducting total bank borrowings of HKD191.7 million, the Group recorded net cash and bank balances of HKD397.0 million as at 30 June 2016. The Group’s borrowings consist of mainly short-term bank loans and trust receipt loans. As at 30 June 2016, the Group’s gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders’ equity, was 0.20 while the Group’s working capital ratio, measured on the basis of current assets as a percentage of current liabilities, was 1.93. As advised by the Company, the Group has unutilised banking facilities available in the amount of HKD97.7 million and HKD195.1 million in Hong Kong and the PRC, respectively, as at 30 June 2016.

Temporarily surplus cash of the Group is generally placed in short-term deposits denominated in Hong Kong dollars (“**HKD**”), Renminbi (“**RMB**”), and United States dollars (“**USD**”).

We have also obtained and reviewed the internal financial information of Founder Electronics (the “**Financial Information of Founder Electronics**”) for the two years ended 31 December 2015 and six months ended 30 June 2016 (the “**Relevant Period**”). We noted that the average cash and bank balances have increased by approximately 56% as at 31 December 2015 when compared with the same as at 31 December 2014; the same balance has increased by approximately 50% as at 30 June 2016 when compared with the same as at 30 June 2015. In addition, Founder Electronics had unutilised banking facilities of RMB10 million as at 30 June 2016. As advised by the Company, it is anticipated that the available average cash and bank balances of Founder Electronics in the second half of 2016 would be increased by 10%, due to seasonal factors and more settlements from customers would be received in the second half of the year.

(iii) Historical provision of entrusted loan under the existing entrusted loan master agreement

In order to achieve greater flexibility in the Group’s cash management to enhance the return on its temporarily surplus cash available, the Company, as the lender, renewed the Entrusted Loan Master Agreement on 28 July 2014 (“**2014 Entrusted Loan Master Agreement**”) with Peking Founder, as the borrower, pursuant to which the Group would, subject to certain conditions, provide short-term RMB loans through a financial institution to be designed by the parties and being an independent third party to the Company and its connected persons (the “**Designated Financial Institution**”) to the Peking Founder Group in the PRC. Such loans provided by the Group were unsecured and interest-bearing at the prevailing benchmark RMB lending interest rate for loan period of six months offered by the People’s Bank of China (the “**PBOC**”) plus 15% of such rate.

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As confirmed with the Management, the maximum balance of the entrusted loans has not exceeded the existing annual caps as set out in the 2014 Entrusted Loan Master Agreement, which were RMB331.2 million and RMB320.0 million for the years ended 31 December 2015 and 2014, respectively, and being the maximum balance of the principal and interests of the relevant entrusted loans at any point of time. All entrusted loans were fully settled by 30 March 2016. Interest income earned by the Group from Peking Founder Group amounted to approximately HKD16.6 million and HKD5.1 million for the year ended 31 December 2015 and six months ended 30 June 2016, respectively. In addition, as stated in the Letter from the Board, the entrusted loans provided to Peking Founder Group by the Group under the 2014 Entrusted Loan Master Agreement were all repaid in time without any defaults.

We have obtained and reviewed four samples of separate entrusted loan agreements that were entered into between the Group, Peking Founder Group and the Designated Financial Institution upon requests by Peking Founder pursuant to the terms and conditions of the 2014 Entrusted Loan Master Agreement as well as the information in respect of the interests received from the Company. Based on the record provided by the Company, during the period from 1 January 2014 to the Latest Practicable Date, there were twelve entrusted loans provided by the Group to Peking Founder Group, with loan amount ranging from RMB40.0 million to RMB130.0 million at interest rates ranging from 5.66% to 6.955% per annum. The sources of funding for the provision of entrusted loans were (i) cash and cash equivalents of the Group; and/or (ii) banking facilities. For their banking facilities, the average interest rates of the Group's loans were determined by benchmark RMB lending rate for a term of one year offered by PBOC plus 10% of such rate. These twelve entrusted loans were partially satisfied by the Group's cash and cash equivalents and short-term bank loans. Based on records provided by the Company, the expected total interest during the period from 1 January 2014 to 31 December 2016 to be derived from the entrusted loans amounts to approximately RMB24.2 million, in aggregate, which represents an expected average financial return of approximately 2.8%, after deducting all bank charges incurred for all entrusted loans provided by the Group to Peking Founder Group during the period from 1 January 2014 to 31 December 2016. As advised by the Company, the Group currently enjoys a three-month and six-month fixed deposit rates at 1.1% to 1.4% per annum and 1.3% to 1.65% per annum, respectively, or a saving deposit rate at 0.3% to 0.35% per annum which are relatively lower than the expected financial return under the 2014 Entrusted Loan Master Agreement.

Through the past entrusted loan transactions, the Management considers that Peking Founder Group has established good repayment record, and the provision of entrusted loans can generate a higher return for the Group's surplus fund. The Management expects the provision of entrusted loans will continue after 31 December 2016.

(iv) The financial return under the 2016 Entrusted Loan Master Agreement

According to the 2016 Entrusted Loan Master Agreement, the entrusted loans provided by the Group will be unsecured and interest-bearing at the prevailing benchmark RMB lending interest rate of loan period of six months offered by PBOC

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plus 15% of such rate. The cost of borrowings is determined based on prevailing benchmark RMB lending rate for a term of one year offered by PBOC plus 10% of such rate. Therefore, for entrusted loans satisfied by the loans of the Group, the net interest spread would be approximately 5% of such rate before taking into account the bank charges by the Designated Financial Institution.

As at the Latest Practicable Date, with reference to the official website of PBOC, the current benchmark RMB lending interest rate of loan for a term within a year offered by PBOC is 4.35%. For illustration purpose only, the interest rate of the entrusted RMB loans would be 5.0025% per annum. According to the official website of PBOC, the three-month and six-month fixed deposit rate for RMB offered by PBOC was 1.1% and 1.3%, respectively. In addition, as mentioned in the above section “(iii) *Historical provision of entrusted loan under the existing entrusted loan master agreement*”, the Group currently enjoys a three-month and six-month fixed deposit rates at 1.1% to 1.4% per annum and 1.3% to 1.65% per annum, respectively, or a saving deposit rate at 0.3% to 0.35% per annum which are relatively lower than the expected financial return under the 2014 Entrusted Loan Master Agreement.

After comparison with the above lending rates and deposit rates available to the Group, we concur with the Directors’ view that the interest rate under the 2016 Entrusted Loan Master Agreement is favorable to the Group because the provision of the entrusted loans to Peking Founder Group would enable the Group to generate a higher return for its idle surplus cash of the Group.

(v) *Default risk arising from 2016 Entrusted Loan Master Agreement*

We have obtained and reviewed the credit rating report of Peking Founder issued by China Bond Rating Co., Ltd. (“**China Bond Rating**”), an independent third party to the Group and Peking Founder Group, dated 12 October 2015 provided by the Company. The principal credit rating of Peking Found is “AA-”, being the second class out of ten classes in this regard. China Bond Rating was in the opinion that the capability of Peking Founder Group for loan repayment was “average”.

As stated in the 2016 Interim Report and advised by the Management, the Group adopts conservative treasury policies and tightly controls its cash and risk management. The Group would mainly utilise its cash held in the PRC and denominated in RMB to provide entrusted loans to Peking Founder Group in the PRC via Founder Electronics. As stated in the Letter from the Board, in assessing the default risk of Peking Founder Group, the Management has reviewed the financial statements, repayment history, and credit report of Peking Founder Group.

In addition, as advised by the Company, the Group will consider the intended use of the entrusted loan each time before granting it. The Management will assess the recoverability of the entrusted loan by reviewing the financial position and repayment history of Peking Founder Group before entering separate entrusted loan agreement. As a result, the Group can evaluate the latest financial position of Peking Founder Group

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before making entrusted loans to Peking Founder Group, which allows the Group to control effectively the default risks arising from the provision of entrusted loan to Peking Founder Group.

As confirmed by the Management, for the twelve entrusted loans provided to Peking Founder Group under the 2014 Entrusted Loan Master Agreement, ten out of the twelve entrusted loans were fully settled within six months upon the dates of the respective entrusted loan agreements in accordance with the terms of the 2014 Entrusted Loan Master Agreement, the remaining two entrusted loans are still in force as at the Latest Practicable Date.

We are also advised by the Management that the Group will not bear additional liquidity risks for the Continuing Connected Transaction. If the Group's cash held in the PRC and denominated in RMB cannot meet the demand of entrusted loans from Peking Founder Group, the Group may use its unutilised banking facilities in the PRC to sub-lend to Peking Founder Group whenever (i) the financial return from the provision of entrusted loans is higher than the cost of borrowing; (ii) the terms of related banking facilities can match with the terms of entrusted loans, including draw-down date and repayment date; and (iii) there is no other alternative purpose for such unutilised banking facilities, for example, investment opportunities with higher investment return than those of entrusted loans available to the Group. As confirmed by the Management and stated in the Letter from the Board, the Group has not utilised its banking facilities for investment purposes in the past given the relatively higher risk of other financial products. In addition, as stated in the Letter from the Board, the Group will consider its financial position and future use of cash before it provides entrusted loans to Peking Founder. Under the 2016 Entrusted Loan Master Agreement, the Group is not obligated to make entrusted loan(s) to Peking Founder Group.

We have also reviewed audited accounts for the year ended 31 December 2015 and the management accounts for the six months ended 30 June 2016 of Peking Founder Group (the "**Financial Information of Peking Founder Group**") provided by the Company, and we noted that Peking Founder Group was in a net current assets position as well as positive operating cash flow for the aforesaid periods. According to the Financial Information of Peking Founder Group we have reviewed, the net assets were RMB53,705 million and RMB53,913 million as at 31 December 2015 and 30 June 2016, respectively. The turnover and net profit attributable of Peking Founder Group for the year ended 31 December 2015 were RMB80,511 million and RMB1,253 million, respectively.

As stated in the Letter from the Board, the Management noticed that certain banking facilities of the Group are either guaranteed by Peking Founder Group or secured by standby letter of credit or letter of comfort of Peking Founder, and the bank loans obtained by the subsidiary of the Group in the PRC, which provided entrusted loans to Peking Founder Group, are unsecured and guaranteed by Peking Founder Group.

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In light of the above, in particular, the strong business performance and financial position of Peking Founder Group, certain entrusted loans provided to Peking Founder Group are ultimately guaranteed by Peking Founder Group, and the good repayment record of Peking Founder Group during the past few years, the Management, and we concur, considers that the credit risk of Peking Founder is low, and will not cause substantial risks to the financial position of the Company.

As the provision of the entrusted loans do not form part of the Group's business activities, and therefore, we are of the view that the entering into of the 2016 Entrusted Loan Master Agreement (and the transactions contemplated thereunder) is not conducted in the ordinary and usual course of the Group's business.

Having taken account the above, in particular:

1. The recurring nature of the transactions under the 2016 Entrusted Loan Master Agreement;
2. The surplus cash and banking facilities of the Group;
3. The entering into the 2016 Entrusted Loan Master Agreement will provide a higher financial return for its surplus cash to the Group compared with that generated from bank deposits;
4. The credit risk of Peking Founder is low;
5. The treasury policies and risk management controls of the Group; and
6. The Group is not obligated to make loans to Peking Founder,

we consider that the Continuing Connected Transaction is commercially justifiable, fair and reasonable, although not in the usual and ordinary course of business, and in the interests of the Shareholder and the Company as a whole.

(B) The Major Terms of the Entrusted Loan Agreement

We have obtained and reviewed the terms under the 2014 Entrusted Loan Master Agreement and 2016 Entrusted Loan Master Agreement from the Company. We have taken into consideration the following aspects in order to consider the fairness and reasonableness of the terms of the 2016 Entrusted Loan Master Agreement:

- (i) The principal terms of 2016 Entrusted Loan Master Agreement are materially the same as the principal terms of 2014 Entrusted Loan Master Agreement, except for the agreement period, and the respective amounts of the Proposed Annual Caps;
- (ii) The 2016 Entrusted Loan Master Agreement is conditional upon, among other things, the fulfillment of the conditions set out in the Letter from the Board, and shall continue for a period of three years up to 31 December 2019;

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- (iii) As stated in the Letter from the Board, the bank loans obtained by the subsidiary of the Group in the PRC (which provided entrusted loans to Peking Founder Group) are unsecured and guaranteed by Peking Founder. Therefore, no collateral is required from Peking Founder in respect of the 2016 Entrusted Loan Master Agreement;
- (iv) The entrusted loans provided to Peking Founder Group are repayable within six months from the date of drawing of the relevant entrusted loan. If Peking Founder Group fails to repay the outstanding amount under the relevant entrusted loan agreements, Peking Founder Group shall be liable to pay, on a daily basis, a default interest of a rate of 0.02% of the total outstanding loan amount, until all of the principal amount, the interests together with other applicable charges and/or fees are fully repaid;
- (v) If any of the following matters arise, the entrusted loans are repayable forthwith, unless otherwise waived by the Company in writing:
- Peking Founder Group provides false balance sheets, profit and loss statements and other financial statements or provides such statements with material omission, or refuses supervision on its use of entrusted loans;
 - The representations, warranties and undertakings made and given by Peking Founder under the 2016 Entrusted Loan Master Agreement or those made and given by the borrower pursuant to the relevant entrusted loan agreement proves to be untrue or misleading;
 - In the reasonable opinion of the Company based on relevant evidences, there has been a serious deterioration in the operating and financial position of Peking Founder or of the borrower under the relevant entrusted loan agreement;
 - Peking Founder or the borrower under the relevant entrusted loan agreement is in breach of its obligations as the borrower or guarantor under any other loan agreements;
 - Peking Founder or the borrower under the relevant entrusted loan agreement fails to make a repayment arrangement or debt restructuring plan to the satisfaction of the trustee when it is undergoing a merger, split or share reform;
 - Peking Founder or the borrower under the relevant entrusted loan agreement is insolvent, dissolved, closed, revoked, suspended or deregistered;
 - Peking Founder ceases to be a controlling shareholder (as defined in the Listing Rules) of the Company; or
 - Peking Founder fails to perform its undertaking or other undertakings under the 2016 Entrusted Loan Master Agreement.

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- (vi) The interest rate of 2016 Entrusted Loan Master Agreement is determined with reference to the prevailing benchmark RMB lending interest rate of loan period of six months offered by POBC plus 15% of such rate, which is consistent with prior years. The current benchmark RMB lending interest rate for loan period within one year offered by PBOC is 4.35% per annum. For illustration purpose only, the interest rate of the entrusted RMB loans would be 5.0025% per annum, which is higher than the deposit rates ranging from 1.1% to 1.65% currently available to the Group; and
- (vii) For each of the entrusted loan transaction to be undertaken by the Group pursuant to the 2016 Entrusted Loan Master Agreement, separate entrusted loan agreements will be entered into among the Group, Peking Founder Group and the Designated Financial Institution upon request by Peking Founder to set out the specific terms and conditions;
- (viii) The Group is not obligated to provide the entrusted loans requested by Peking Founder Group. The Group can decide, whether to provide, and if provide, the amount of the entrusted loans.

In the view of the above, we are of the view that the terms of 2016 Entrusted Loan Master Agreement are on normal commercial terms, 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.

(C) The Proposed Annual Caps

The entrusted loans under 2016 Entrusted Loan Master Agreement are subject to the Proposed Annual Caps as discussed below. The Proposed Annual Caps refers to the maximum balance of the principal and interests of the relevant entrusted loans at any point of time for each of the three years ending 31 December 2019.

In order to assess the fairness and reasonableness of the Proposed Annual Caps, we have obtained and reviewed the Financial Information of Founder Electronics, being the subsidiary of the Group to provide the entrusted loans, and discussed with the Management regarding the underlying basis and assumptions in projecting the Proposed Annual Caps.

The following table sets out (i) the historical figures of the average entrusted loans (representing the average balance of the principal and interests of relevant entrusted loans) for the Relevant Period; and (ii) historical annual caps for each of the two years ended 31

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December 2015 and the year ending 31 December 2016 under the 2014 Entrusted Loan Master Agreement:

	Year ended 31 December		Six months ended 30 June	Each of the year ending 31 December
	2014	2015	2016	2017-2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Historical figures (average)	204,043	285,392	170,000	N/A
Existing annual caps	320,000	331,200	342,792	N/A
Proposed Annual Caps	N/A	N/A	N/A	405,000
Utilisation rate (%)	63.8	86.2	49.6	N/A

The actual average entrusted loans provided to Peking Founder Group demonstrated a continuous growing trend with increase of approximately 39.9% for the year ended 31 December 2015. The utilisation rate for the year ended 31 December 2014 also increased significantly from 63.8% to approximately 86.2% for the year ended 31 December 2015. Furthermore, as advised by the Company, the Management anticipated that the maximum entrusted loans inclusive of interest provided to Peking Founder Group for the year ending 31 December 2016 will reach approximately RMB330 million, representing a 15.8% increase in the average entrusted loan amount when compared with the year ended 31 December 2015. The utilisation rate is expected to further rise to 96.3% for the year ending 31 December 2016.

The Proposed Annual Caps remain the same at RMB405 million for each of the year ending 31 December 2017 to 2019 under the 2016 Entrusted Loan Master Agreement, representing an increase of approximately 18.1% when compared with the existing annual cap for the year ending 31 December 2016 under the 2014 Entrusted Loan Master Agreement. As stated in the Letter from the Board, the Proposed Annual Caps are determined based on average cash and bank balance available of Founder Electronics and its average total monthly net profit/loss for the six months ended 30 June 2016. It is expected that cash and bank balance of such subsidiary will remain stable for years ending 31 December 2017 to 2019. We have reviewed the 2016 Interim Report, noting that the Proposed Annual Caps represent approximately 68.8% of the total cash and bank balances of the Group as at 30 June 2016. In addition, based on the management accounts of Founder Electronics as at 30 June 2016 provided by the Company, the aggregate of cash and cash equivalents and entrusted loans receivable of Founder Electronics was RMB597.3 million, and the Proposed Annual Caps representing 67.8% of such aggregated amount. Further advised by the Company, as at 30 June 2016, the Group has unutilised banking facilities of HKD97.7 million and HKD195.1 million in Hong Kong and the PRC, respectively. Therefore, the total cash and bank balances of HKD588.7 million together with the total unutilised banking facilities of HKD292.8 million of the Group as at 30 June 2016 are well above Proposed Annual Caps of RMB405 million.

We have also obtained the annual reports of the Group, the total cash and bank balances of the Group demonstrated an increase at CAGR 8.3% from year 2011 to 2015. In addition, based on our review of the Financial Information of Founder Electronics, we also

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noted that the average cash and bank balances have increased by approximately 56.0% as at 31 December 2015 when compared with the same as at 31 December 2014; same balance has increased by approximately 50.0% as at 30 June 2016 when compared with the same as at 30 June 2015.

Based on the above and having considered the followings:

- (i) The cash and bank balances together with the unutilised banking facilities of the Group as at 30 June 2016 are well above Proposed Annual Caps of RMB405 million;
- (ii) The increases in the average cash and bank balances of Founder Electronics and the Group;
- (iii) The increasing entrusted loan amount provided to Peking Founder Group during the Relevant Period; and
- (iv) The high and increasing utilisation rates of the existing annual caps during the Relevant Period,

we are of the view that the basis of the Proposed Annual Caps are fair and reasonable as far as the Group and the Shareholders are concerned.

However, the Independent Shareholders should note that as the Proposed Annual Caps are determined based on various factors relating to future events and are based upon assumptions that may or may not remain valid for the whole period up to 31 December 2019, they do not represent forecasts of revenue to be generated from the operations of the Group. Consequently, we express no opinion as to how closely the actual entrusted loan amount pursuant to the 2016 Entrusted Loan Master Agreement shall correspond to the Proposed Annual Caps.

(D) Reporting requirements and conditions of the Continuing Connected Transaction

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Continuing Connected Transaction is subject to the following annual review requirements:

- (a) each year the independent non-executive directors must review the continuing connected transactions and confirm in the annual report and accounts that the continuing connected transactions have been entered into:
 - in the ordinary and usual course of business of the group;
 - either on normal commercial terms or, if there are not sufficient comparable continuing connected transaction to judge whether they are on normal commercial terms, on terms no less favorable to the group than terms available to or from (as appropriate) independent third parties; and

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- in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders as a whole;
- (b) each year the auditors of the company must provide a letter to the board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the company's annual report) confirming that the continuing connected transactions:
- have received the approval of the board;
 - are in accordance with the pricing policies of the group;
 - have been entered into in accordance with the terms of the relevant agreements governing the continuing connected transactions; and
 - have not exceeded the Proposed Annual Caps;
- (c) the company shall allow, and shall procure the relevant counterparties to the continuing connected transactions to allow, the company's auditors sufficient access to their records for the purpose of reporting on the continuing connected transactions as set out in paragraph (b); and
- (d) the company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive directors and/or auditors of the company will not be able to confirm the matters set out in paragraphs (a) and (b) respectively.

In light of the reporting requirements attached to the Continuing Connected Transaction, in particular, (i) the restriction of the maximum value of the Continuing Connected Transaction by way of the Proposed Annual Caps; (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms of the Continuing Connected Transaction and the Proposed Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Continuing Connected Transaction and safeguard the interests of the Independent Shareholders.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the terms of the 2016 Entrusted Loan Master Agreement, including the Proposed Annual Caps, are on normal commercial terms although not in the ordinary and usual course of business of the Company, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

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Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favor of the ordinary resolution to the 2016 Entrusted Loan Agreement, including the Proposed Annual Cap, as detailed in the notice of SGM as set out at the end of the Circular.

Yours faithfully,
For and on behalf of
China Everbright Capital Limited
Alvin Kam
Managing Director

Mr. Alvin Kam is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of China Everbright Capital Limited to carry out type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance. Mr. Alvin Kam has over thirteen years of experience in corporate finance industry.

1. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The unaudited financial information of the Group for the six months ended 30 June 2016 are set out on pages 3 to 25 in the interim report 2016 of the Company, which was posted on 22 September 2016 on the Stock Exchange's website (<http://www.hkexnews.hk>).

The audited consolidated financial statements of the Group for the year ended 31 December 2013 has been set out in pages 29 to 129 of the 2013 annual report of the Company which was posted on 16 April 2014 on the Stock Exchange's website (<http://www.hkexnews.hk>).

The audited consolidated financial statements of the Group for the year ended 31 December 2014 has been set out in pages 25 to 107 of the 2014 annual report of the Company which was posted on 24 April 2015 on the Stock Exchange's website (<http://www.hkexnews.hk>).

The audited consolidated financial statements of the Group for the year ended 31 December 2015 has been set out in pages 26 to 109 of the 2015 annual report of the Company which was posted on 20 April 2016 on the Stock Exchange's website (<http://www.hkexnews.hk>).

2. INDEBTEDNESS

At the close of business on 30 September 2016, being the latest practicable date for the purpose of the indebtedness statement prior to the printing of this circular, the Group had interest-bearing bank borrowings of approximately HK\$189.5 million which comprised unsecured bank borrowings of approximately HK\$145.7 million, and secured bank loans of approximately HK\$43.8 million. The above unsecured bank borrowings included bank loans of approximately HK\$114 million guaranteed by Peking Founder, a substantial shareholder of the Company, and a bank loan of approximately HK\$31.7 million guaranteed by Peking Founder and PKU Founder Group Finance Co., Ltd., a subsidiary of Peking Founder. The secured loans were secured by pledge of certain of the Group's investment properties and land and buildings.

Save as aforesaid and apart from intra-group liabilities, the Group did not have, at the close of business on 30 September 2016, any loan capital, issued and outstanding, or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, material obligations under hire purchase contracts or finance leases, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, taking into account of the Group's available financial resources including the internally generated fund, the Group has sufficient working capital for its present requirements, that is for at least twelve months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group was engaged in the software development and the provision of systems integration services in the media and non-media industries including financial institutions, enterprises and government departments. Given the rapid penetration of mobile internet and change in habit of reading newspapers, the traditional media business faced enormous challenge. In the coming financial year, the Group will continue to put resources on the development of innovative software for media business such as font library business, internet large-scale data business, printing business, digital media business, digital publishing business and digital education business to meet our customers' demand and maintain our competitiveness in those industries. The Group will continue the efforts in developing media business in order to enhance profitability and deliver returns to the Shareholders.

The management will closely monitor changes in the PRC's economy and its IT market. In addition, the Group will closely monitor the performance of each business sector to achieve effective cost control and maximize Shareholders' value.

5. FINANCIAL EFFECT OF THE 2016 ENTRUSTED LOAN MASTER AGREEMENT

Taking into account the interest income which could derive from the entrusted loans as contemplated under the 2016 Entrusted Loan Master Agreement and that the interest income from Peking Founder would cover all necessary expenses to be incurred by the Group (including the interest expense if the entrusted loans are funded by the Group's interest-bearing bank borrowings), the Company expects to have positive effect on its earnings as well as earning per share for the Shareholders.

If the Group is to fund the entrusted loans by its bank borrowings, its assets and liabilities will be increased by the same amount of such borrowings at the time when such borrowings are obtained. Save for the aforesaid, there would be no material effect on the Group's assets and liabilities as a result of the transactions contemplated under the 2016 Entrusted Loan Master Agreement.

Mr. Shao Xing

Mr. Shao Xing, aged 52, joined the Group in April 2016 and has extensive experience in the operation of software development and systems integration business. He is the chairman of Beijing Founder Electronics Co., Ltd., a subsidiary of the Company. He received his bachelor's degree in electrical engineering industrial automation and master degree in biomedical engineering and instrument at Zhejiang University in the PRC. He is also a senior engineer in the PRC. He is responsible for long-term strategic development of the Group.

Save as disclosed above, Mr. Shao does not hold any position with the Company or any members of the Group. Mr. Shao does not have any directorship in other listed public companies in the last three years. Mr. Shao does not have any relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company.

As at the Latest Practicable Date, Mr. Shao does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong).

Mr. Shao has entered into a service agreement as an executive Director with the Company for a term of two years from the date of appointment and should continue thereafter unless and until terminated by either the Company or Mr. Shao in accordance with the service agreement. Mr. Shao is not entitled to any director's fee payable but will receive an annual salary of RMB750,000 (equivalent to HK\$894,000) and he will also be entitled to discretionary bonus to be determined at the end of each financial year. Mr. Shao is entitled to participate in any profit-related bonus scheme as may be established by the Company and his entitlement thereunder shall be determined at the absolute discretion of the Board and the total amount of bonus payable to all executive Directors shall not exceed 15 per cent. of the audited consolidated net profit (after payment of all bonuses) after taxation and non-controlling interests of the Group for that financial year.

Save as disclosed above, there are no other matters relating to the appointment of Mr. Shao that need to be brought to the attention of the shareholders of the Company nor any information that needs to be disclosed pursuant to the requirements of Rules 13.51(2)(h) to (v) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquires, confirm 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

a) Directors and Chief Executive

As at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong (as amended from time to time) (the “SFO”)) which would have to be 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 recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers.

b) Substantial Shareholders

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following persons (other than Directors or chief executives of the Company) who had interests or short positions 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 any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group

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

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
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, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions 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 any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

3. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which have been since 31 December 2015, the date to which the latest published audited financial statements of the Group were made up, 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.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered or proposed to enter into a service contract with any member of the Group which is not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

6. MATERIAL CHANGES

The Directors are not aware of any 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 financial statements of the Group were made up.

7. MATERIAL LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

8. EXPERT AND CONSENT

The following are the qualifications of the professional adviser who has given the Company opinions or provided advice referred to or contained in this circular:

China Everbright	a corporation licensed under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO.
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As at the Latest Practicable Date, China Everbright had no shareholding interest, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, China Everbright did not have any interest, direct or indirect, in any assets which since 31 December 2015, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group, or proposed to be acquired or disposed of by or leased to any member of the Group.

China Everbright has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of the text of its letter and/or the references to its name in the form and context in which it appears.

9. MATERIAL CONTRACTS

The Group has not entered to any material contract (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the Latest Practicable Date.

10. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text in case of inconsistency.

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 transfer office of the Company is situated at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

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 9 December 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) 2016 Entrusted Loan Master Agreement;
- (iv) the letter from the Independent Board Committee, the text of which is set out on pages 14 to 15 of this circular;
- (v) the letter from the Independent Financial Adviser, the text of which is set out on pages 16 to 29 of this circular;
- (vi) the letter of consent from the Independent Financial Adviser referred to in the paragraph headed "Expert and Consent" in this appendix above; and
- (vii) the circular of the Company dated 4 July 2016 regarding the New Master Sales Agreement entered into between Peking Founder and the Company.

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, 9 December 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 resolutions:

ORDINARY RESOLUTIONS

- (1) “**THAT:**
- (a) The 2016 Entrusted Loan Master Agreement (as defined in the circular of the Company dated 15 November 2016) be and is hereby approved;
 - (b) The proposed annual caps in relation to the transactions contemplated under the 2016 Entrusted Loan Master Agreement for the three years ending 31 December 2019 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 2016 Entrusted Loan Master Agreement and the transactions contemplated thereunder.”
- (2) “**THAT** Mr. Shao Xing be re-elected as an executive director of the Company and any one or more Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient in connection with the re-election of Mr. Shao Xing as an executive director of the Company.”

By Order of the Board
Founder Holdings Limited
Xiao Jian Guo
Chairman

Hong Kong, 15 November 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 him/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.

NOTICE OF SPECIAL GENERAL MEETING

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 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 No. 1.
5. The ordinary resolutions as set out above will be determined by way of poll.

* *For identification purpose only*