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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 licensed securities dealer 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, licensed securities dealer or other agents through whom the sale was effected for transmission to the purchaser or transferee.

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

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**CONTINUING CONNECTED TRANSACTIONS  
AND  
CONNECTED TRANSACTION**

**Financial adviser**

**OSK Asia Capital Limited**

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



**KGI Capital Asia Limited**

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A letter from the Board (as defined herein) is set out on pages 5 to 14 of this circular. A letter of recommendation from the Independent Board Committee (as defined herein) to the Independent Shareholders (as defined herein) is set out on page 15 of this circular. A letter of advice from KGI Capital Asia Limited to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 28 of this circular.

A notice convening the SGM (as defined herein) to be held at 10:30 a.m. on Monday, 22 September 2008 at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong is set out on pages 36 to 38 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible to the principal place of business of Founder Holdings Limited in Hong Kong at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong and in any event not later than 48 hours before the time of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish.

\* For identification purpose only

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## DEFINITIONS

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

“2008 Subway Software Agreement”	the software development agreement entered into between Founder Order and Founder International on 11 January 2008
“Additional Subway Software Agreement”	the agreement entered into between Founder Order and Founder International on 15 August 2008
“AFC System Project”	the project of the Beijing Subway to install an automatic fare collection system
“associate(s)”	has the meaning as ascribed to it in the Listing Rules
“Beijing Railway Company”	北京市軌道交通建設管理有限公司(Beijing MTR Construction Administration Corporation*), an independent third party
“Beijing Subway”	Line 5 of the Beijing Subway
“Board”	the board of Directors
“Company”	Founder Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Directors”	the directors of the Company
“Electronics Lease Agreement”	the lease agreement entered into between Founder Electronics and Fangcheng on 10 January 2006 pursuant to which the Group leases certain premises from the Peking Founder Group
“Fangcheng”	北京方誠物業管理有限責任公司 (Beijing Fangcheng Property Management Co., Limited*), a company established in the PRC and a wholly-owned subsidiary of Peking Founder
“Founder Electronics”	北京北大方正電子有限公司 (Beijing Founder Electronics Co., Ltd.*), a company established in the PRC and a wholly-owned subsidiary of the Company
“Founder International”	北京方正國際軟件系統有限公司(Beijing Founder International Co., Limited*), a wholly-owned subsidiary of Founder Japan
“Founder Japan”	方正株式會社(Founder International Inc.), a company incorporated in Japan with limited liability and was indirectly and effectively owned as to approximately 39.01% by Peking Founder as at the Latest Practicable Date

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## DEFINITIONS

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“Founder Japan Group”	Founder Japan and its subsidiaries
“Founder Order”	北京方正奧德計算機系統有限公司 (Beijing Founder Order Computer System Co., Limited*), a company established in the PRC and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	an independent committee of the Board comprising Mr Li Fat Chung, Dr Hu Hung Lick, Henry and Ms Wong Lam Kit Yee, established for the purpose of advising the Independent Shareholders in relation to the terms of the New Lease Agreement, the Lease Renewal Agreement, the Additional Subway Software Agreement, the New Japan Master Agreement, the Lease Annual Caps and the Japan Annual Caps
“Independent Shareholders”	Shareholders other than Peking Founder and its associates
“Japan Annual Caps”	the annual caps for the three years ending 31 December 2010 in respect of the transactions under the New Japan Master Agreement
“Japan Software Agreement”	the agreement entered into between Founder Electronics and Founder Japan dated 7 February 2005
“KGI Capital”	KGI Capital Asia Limited, a licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities, and the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the New Lease Agreement, the Lease Renewal Agreement, the Additional Subway Software Agreement, the New Japan Master Agreement, the Lease Annual Caps and the Japan Annual Caps
“Latest Practicable Date”	1 September 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Lease Annual Caps”	the annual cap for the year ending 31 December 2008 in respect of the lease under the New Lease Agreement and the new annual caps for the three years ending 31 December 2011 in respect of the leases under the Lease Renewal Agreement

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## DEFINITIONS

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“Lease Renewal Agreement”	the lease agreement entered into between Founder Electronics and Fangcheng on 15 August 2008 to renew certain leases of properties by the Group from the Peking Founder Group for a term of three years ending 31 December 2011
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Japan Master Agreement”	the agreement entered into between the Company and Founder Japan on 15 August 2008 pursuant to which, subject to obtaining Independent Shareholders’ approval, the Group shall from time to time for a term up to 31 December 2010 sell software, hardware, and/or system integration products and/or provide software, hardware, and/or system integration development services to the Founder Japan Group
“New Lease Agreement”	the lease agreement entered into between Founder Electronics and Fangcheng on 15 August 2008 for the leasing of certain premises located at Shangdi Founder Building by the Group from the Peking Founder Group
“Order Lease Agreement”	the lease agreement entered into between Founder Order and Fangcheng on 11 April 2008 pursuant to which the Group leased certain premises located in Zhongguancun Founder Building (中關村方正大廈) from the 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 liability, which was interested in approximately 32.49% of the issued share capital of the Company as at the Latest Practicable Date
“Peking Founder Group”	Peking Founder and its associates (excluding the Group)
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shangdi Founder Building”	Shangdi Founder Building (上地方正大廈) at No.9, Shangdi 5th Street (also known as Shangdi Information Industry Base), Haidian District, Beijing, the PRC
“Shareholders”	holder(s) of ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“SGM” the special general meeting to be convened by the Company at 10:30 a.m. on Monday, 22 September 2008 at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong to consider and, if thought fit, to approve, among other things, the New Lease Agreement, the Lease Renewal Agreement, the Additional Subway Software Agreement, the New Japan Master Agreement, the Lease Annual Caps and the Japan Annual Caps

“US\$” United States dollars

*For illustrative purposes only, RMB is converted into HK\$ at the rate of RMB1.00 = HK\$1.14 and US\$ is converted into HK\$ at the rate of US\$1.00 = HK\$7.80 in this circular.*

*\* For identification purpose only*

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## LETTER FROM THE BOARD

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*Executive Directors:*

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

*Independent non-executive Directors:*

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

*Registered office:*

Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

*Principal place of business in  
Hong Kong:*

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

3 September 2008

*To the Shareholders*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTION**

#### **INTRODUCTION**

The Group has been leasing office premises in Beijing, the PRC from the Peking Founder Group on normal commercial terms. On 15 August 2008, Founder Electronics entered into the New Lease Agreement with Fangcheng to lease extra office space from the Peking Founder Group. On 15 August 2008, Founder Electronics also entered into the Lease Renewal Agreement for a term of three years from 1 January 2009 to 31 December 2011.

In view of the New Lease Agreement and the Lease Renewal Agreement, the Company has revised the cap for the year ending 31 December 2008 and set new annual caps for the three years ending 31 December 2011 in respect of leasing of properties by the Group from the Peking Founder Group.

On 15 August 2008, Founder Order, a wholly-owned subsidiary of the Company, entered into the Additional Subway Software Agreement with Founder International in respect of software development work for the AFC System Project of the Beijing Subway at a consideration of approximately RMB1.86 million (equivalent to approximately HK\$2.12 million) before value added tax and approximately RMB1.97 million (equivalent to approximately HK\$2.25 million) after value added tax.

\* For identification purpose only

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## LETTER FROM THE BOARD

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Founder Electronics has been selling software products and providing software services to Founder Japan pursuant to the Japan Software Agreement. The Japan Software Agreement expired on 6 February 2008. On 15 August 2008, the Company and Founder Japan entered into the New Japan Master Agreement, pursuant to which, subject to obtaining the Independent Shareholders' approval, the Group shall from time to time for a term up to 31 December 2010 sell software, hardware, and/or system integration products and/or provide software, hardware, and/or system integration development services to the Founder Japan Group.

Peking Founder is the ultimate controlling shareholder of the Company holding approximately 32.49% of the issued share capital of the Company as at the Latest Practicable Date and thus a connected person of the Company. Fangcheng is wholly-owned by Peking Founder and is an associate of Peking Founder. Accordingly, the transactions under the New Lease Agreement and the Lease Renewal Agreement constitute continuing connected transactions for the Company.

As at the Latest Practicable Date, Founder Japan wholly-owns Founder International and is indirectly and effectively owned as to approximately 39.01% by Peking Founder. Founder Japan and Founder International are associates of Peking Founder under the Listing Rules. Accordingly, the Additional Subway Software Agreement and the New Japan Master Agreement respectively constitute a connected transaction and continuing connected transactions for the Company pursuant to the Listing Rules.

The Company issued an announcement in this regard on 15 August 2008. The purpose of this circular is to give you (i) information in relation to the New Lease Agreement, the Lease Renewal Agreement, the Additional Subway Software Agreement, the New Japan Master Agreement, the Lease Annual Caps and the Japan Annual Cap; (ii) the recommendation from the Independent Board Committee in respect of the aforesaid matters; (iii) the letter of advice from KGI Capital to the Independent Board Committee and the Independent Shareholders in respect of the aforesaid matters; (iv) the notice of the SGM; and (v) other information as required under the Listing Rules.

### **LEASING OF OFFICE PREMISES**

The Group has been leasing office premises in Beijing, the PRC from the Peking Founder Group on normal commercial terms. The Board refers to the announcement of the Company dated 21 November 2005 in relation to the Electronics Lease Agreements which will expire on 31 December 2008. On 15 August 2008, Founder Electronics entered into the New Lease Agreement with Fangcheng to lease extra office space from the Peking Founder Group and entered into the Lease Renewal Agreement with Fangcheng to renew certain lease agreements entered into between the Group and the Peking Founder Group.



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## LETTER FROM THE BOARD

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### Principal terms of the New Lease Agreement

Lessor	Fangcheng, a wholly-owned subsidiary of Peking Founder, which is principally engaged in properties leasing business
Lessee	Founder Electronics, a wholly-owned subsidiary of the Company, which is principally engaged in software development and systems integration business
Property leased	3rd floor and 4th floor of the ancillary tower of Shangdi Founder Building
Area	Approximately 1,249.81 sq. m.
Unit rental (inclusive of management fee)	RMB1.8 per sq. m. per day
Total rental and management fee	Not more than RMB230,000 (equivalent to approximately HK\$262,000) (assuming the lease commences on 22 September 2008)
Lease term	The New Lease Agreement shall commence from the later of (i) 22 September 2008 or (ii) the day when the Company has obtained the necessary approval from the Independent Shareholders and end on 31 December 2008.
Other terms and conditions	<p>The rental and management fees are payable in cash quarterly in advance. Subject to compliance with the Listing Rules, the lessee may give a written notice at least two-month before the expiry of the agreement to the lessor in order to continue to lease the relevant premises from the lessor.</p> <p>The lessor will have the right to terminate the lease if the lessee fails to comply with the terms and conditions of the agreement.</p> <p>The New Lease Agreement is conditional on obtaining the Independent Shareholders' approval.</p>

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## LETTER FROM THE BOARD

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### Principal terms of the Lease Renewal Agreement

Lessor	Fangcheng
Lessee	Founder Electronics
Property leased	(a) 1st to 5th floor and basement of the main tower of Shangdi Founder Building  (b) 3rd floor, 4th floor and basement of the ancillary tower of Shangdi Founder Building (the leasing of the 3rd floor and 4th floor of the ancillary tower of Shangdi Founder Building under the Lease Renewal Agreement is subject to the New Lease Agreement being approved by the Independent Shareholders)
Area	Approximately 16,055.82 sq. m.
Unit rental (inclusive of management fee)	(a) RMB2.10 sq. m. per day for 1st to 5th floor of the main tower of Shangdi Founder Building (b) RMB2.10 sq. m. per day for 3rd floor and 4th floor of the ancillary tower of Shangdi Founder Building (c) RMB0.54 sq. m. per day for basement of the main and ancillary tower of Shangdi Founder Building
Total annual rental and management fee	RMB10,185,000 (equivalent to approximately HK\$11,611,000)
Lease term	1 January 2009 to 31 December 2011
Other terms and conditions	<p>The rental and management fees are payable in cash quarterly in advance. Subject to compliance with the Listing Rules, the lessee may give a written notice at least two-month before the expiry of the agreement to the lessor in order to continue to lease the relevant premises from the lessor.</p> <p>The lessor will have the right to terminate the lease if the lessee fails to comply with the terms and conditions of the agreement.</p> <p>The Lease Renewal Agreement is conditional on obtaining the Independent Shareholders' approval.</p>

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## LETTER FROM THE BOARD

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### **Lease Annual Caps**

The Company has set an annual cap of RMB230,000 (equivalent to approximately HK\$262,000) in respect of the property leasing transactions under the New Lease Agreement for the year ending 31 December 2008. The new cap is calculated based on the rental and management fees paid and payable by the Group under the New Lease Agreement.

The annual caps for all the lease transactions under the Lease Renewal Agreement for each of the three years ending 31 December 2011 is RMB10,185,000 (equivalent to approximately HK\$11,611,000) which is calculated based on the rental and management fees payable by the Group under the Lease Renewal Agreement. The Directors consider the Lease Annual Caps fair and reasonable.

### **Reasons for and the benefits of the New Lease Agreement and the Lease Renewal Agreement**

With reference to the Company's announcement dated 21 November 2005, the Group has been leasing certain premises at Shangdi Founder Building from the Peking Founder Group under the Electronics Lease Agreement as offices, canteens and staff quarters. In anticipation of the growth in the Group's business and operation and to maintain the Group's current centralized office locations in Beijing, the Group entered into the New Lease Agreement to lease additional office space from the Peking Founder Group. Due to the soon expiry of the Electronics Lease Agreement (and the New Lease Agreement) on 31 December 2008, the Group entered into the Lease Renewal Agreement to renew the leases for another term of three years from 2009 to 2011.

The terms of the New Lease Agreement and the Lease Renewal Agreement were arrived at after arm's length negotiations between the parties involved with reference to the prevailing market rent of comparable properties in Beijing.

The Directors are of the view that transactions under the New Lease Agreement and the Lease Renewal Agreement are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole.

### **ADDITIONAL SUBWAY SOFTWARE AGREEMENT**

#### **Subject matter of the agreement**

On 15 August 2008, Founder Order entered into the Additional Subway Software Agreement with Founder International under which Founder Order has agreed to engage Founder International to develop certain software for the AFC System Project of the Beijing Subway, subject to obtaining the Independent Shareholders' approval.

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## LETTER FROM THE BOARD

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### **Consideration**

The total consideration of the Additional Subway Software Agreement is approximately RMB1.86 million (equivalent to approximately HK\$2.12 million) before value added tax and approximately RMB1.97 million (equivalent to approximately HK\$2.25 million) after value added tax payable by Founder Order to Founder International in cash. The total consideration shall be paid in two equal payments respectively within five and ten days after Founder International has completed the software development under the Additional Subway Software Agreement.

The consideration of the Additional Subway Software Agreement was determined based on the consideration under the engagement of Founder Order by Beijing Railway Company in December 2007 to carry out the further software development in respect of the AFC System Project (as further detailed in the paragraph headed “Reasons for the transaction” below). Terms of the Additional Subway Software Agreement were agreed after arm’s length negotiation between the parties.

The Additional Subway Software Agreement is subject to the Independent Shareholders’ approval.

### **Reasons for the transaction**

The Group is principally engaged in software development and systems integration relating to the media industry and non-media industries relating to financial institutions, commercial enterprises and government departments in the PRC. Founder Order is principally engaged in the provision of systems integration focusing on the banking and securities sectors.

Founder International is principally engaged in software development.

With reference to the announcement of the Company dated 7 November 2005, Founder Order was appointed as a contractor by Beijing Railway Company in respect of the AFC System Project. Founder Order specializes in the provision of systems integration services, in particular projects relating to the banking and securities sectors in the PRC. The AFC System Project represented the Group’s first engagement in the development of fare collection and ticketing system for railway systems. Part of the development of an automatic fare collection system for a railway system involves specialized technical software development knowledge and the Founder Japan Group has the necessary experience and expertise in software development relating to automatic fare collection systems. Accordingly, Founder Order engaged Founder International to develop and purchased from Founder International certain software for the AFC System Project.

On 5 December 2007, Beijing Railway Company engaged Founder Order to carry out additional software development work in respect of the AFC System Project. On 11 January 2008, Founder Order entered into the 2008 Subway Software Agreement with Founder International to subcontract a part of the additional software development work to Founder International for a consideration of approximately RMB12.90 million (equivalent to approximately HK\$14.71 million) before value added tax (as announced by the Company on 15 January 2008). Founder International has started certain technical and feasibility studies on the software development work in respect of the rest of the additional software development work required by Beijing Railway Company. On 15 August 2008, Founder Order entered into the Additional Subway Software Agreement to engage Founder International to carry out the rest of the additional software development work required by Beijing Railway Company, subject to obtaining the

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## LETTER FROM THE BOARD

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Independent Shareholders' approval. The total consideration of the Additional Subway Software Agreement and the 2008 Subway Software Agreement is equivalent to the consideration under the engagement of Founder Order by Beijing Railway Company in December 2007 to carry out the further software development in respect of the AFC System Project.

Based on the above, the Directors consider that the terms of the Additional Subway Software Agreement are on normal commercial terms, fair and reasonable and the transactions thereunder are in the interests of the Company and its shareholders as a whole and are in the ordinary and usual course of business of the Group.

### **NEW JAPAN MASTER AGREEMENT**

Founder Electronics has been selling software products and providing software development services to Founder Japan pursuant to the Japan Software Agreement (details of the agreement were set out in the circular of the Company dated 28 February 2005). Founder Japan is principally engaged in systems integration and software development. The Board has set the annual caps for transactions under the Japan Software Agreement for the three years ended 31 December 2007. The Japan Software Agreement expired on 6 February 2008. On 15 August 2008, the Company and Founder Japan entered into the New Japan Master Agreement.

#### **Principal terms**

Pursuant to the New Japan Master Agreement, subject to obtaining the Independent Shareholders' approval, the Group may from time to time for a term up to 31 December 2010 sell software, hardware, and/or system integration products and/or provide software, hardware, and/or system integration development services to the Founder Japan Group at terms determined at the relevant time:

- (i) with reference to the prices and credit terms at which comparable services or products are supplied on normal commercial terms in its ordinary and usual course of business to independent third party customers in local market and/or adjacent regions; or
- (ii) where no comparables as stated in (i) are available, with reference to the prices and credit terms at which comparable services or products are supplied on normal commercial terms in its ordinary and usual course of business to independent third party customers in the PRC; or
- (iii) where none of the above comparables is available, with reference to the prices and credit terms agreed between the parties on arm's length basis which are fair and reasonable and in the interests of the Shareholders as a whole.

The Company has set the Japan Annual Caps for the transactions under the New Japan Master Agreement for the three years ending 31 December 2010 subject to the Independent Shareholders' approval. Set out below are (i) the annual caps and the audited transaction amounts for the two years ended 31 December 2007 in respect of the Japan Software Agreement and (ii) the Japan Annual Caps for the three years ending 31 December 2010:

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## LETTER FROM THE BOARD

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	For the year ended		For the year ending		
	31 December		31 December		
	2006	2007	2008	2009	2010
	HK\$	HK\$	HK\$	HK\$	HK\$
Audited transaction amount	6,578,000	8,850,000	n/a	n/a	n/a
Annual cap	7,800,000*	10,530,000*	11,505,000	13,806,000	15,187,000

\* The annual caps for the two years ended 31 December 2007 in respect of the Japan Software Agreement were US\$1 million (equivalent to approximately HK\$7.8 million) and US\$1.35 million (equivalent to approximately HK\$10.53 million).

\*\* Founder Electronics sold software products and provided software development services to Founder Japan amounting to approximately HK\$2 million for the seven months ended 31 July 2008 based on the management accounts of the Group.

The Japan Annual Caps for the three years ending 31 December 2010 were determined based on the growth rates of 30%, 20% and 10% respectively. The Company anticipates that the transaction amount for 2008 under the New Japan Master Agreement would grow comparably to the historic growth rate of the transaction amount under the Japan Software Agreement for 2007 of 34.5% and determined the annual cap for 2008 based on the growth rate of 30%. The Company anticipates that the transaction amounts for 2009 and 2010 would grow moderately with reference to the future market conditions anticipated by the Company and determined the annual caps for 2009 and 2010 based on growth rates of 20% and 10% respectively.

### Reasons for and the benefits of the New Japan Master Agreement

Founder Electronics has been selling software products and providing software development services to Founder Japan pursuant to the Japan Software Agreement. The Japan Software Agreement expired on 6 February 2008. The Group therefore entered into the New Japan Master Agreement on terms acceptable to the Group.

The terms of the New Japan Master Agreement were arrived at after arm's length negotiations between the parties. The Directors are of the view that transactions under the New Japan Master Agreement are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole.

### LISTING RULES REQUIREMENTS

Peking Founder is the ultimate controlling shareholder of the Company and held approximately 32.49% of the issued share capital of the Company as at the Latest Practicable Date, and thus a connected person of the Company. Fangcheng is wholly-owned by Peking Founder and is an associate of Peking Founder. Accordingly, the transactions under the New Lease Agreement and the Lease Renewal Agreement constitute continuing connected transactions for the Company.

Founder Japan wholly-owns Founder International and was indirectly and effectively owned as to approximately 39.01% by Peking Founder as at the Latest Practicable Date; therefore Founder Japan and Founder International are associates of Peking Founder under the Listing Rules and the Additional

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## LETTER FROM THE BOARD

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Subway Software Agreement and the New Japan Master Agreement respectively constitute a connected transaction and continuing connected transactions for the Company pursuant to the Listing Rules.

As the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules exceed 2.5%, (i) the transactions under the New Lease Agreement (after aggregating with the estimated rental and management fee paid and payable by the Group to the Peking Founder Group for the year ending 31 December 2008 in respect of the leases under the Electronics Lease Agreement and the Order Lease Agreement) and the Lease Renewal Agreement constitute non-exempt continuing connected transactions for the Company; and (ii) the transaction under the Additional Subway Software Agreement (after aggregating with the 2008 Subway Software Agreement entered into in January 2008) constitutes a non-exempt connected transaction for the Company and (iii) the transactions under the New Japan Master Agreement constitute non-exempt continuing connected transactions for the Company under the Listing Rules, and all are subject to the Independent Shareholders' approval by way of poll at the SGM. Peking Founder and its associates, who altogether held approximately 32.49% of the issued share capital of the Company as at the Latest Practicable Date and controlled the voting rights in respect of their Shares, shall abstain from voting at the SGM in respect of the ordinary resolutions to approve the New Lease Agreement, the Lease Renewal Agreement, the Additional Subway Software Agreement, the New Japan Master Agreement, the Lease Annual Caps and the Japan Annual Caps.

The Independent Board Committee comprising Mr Li Fat Chung, Dr Hu Hung Lick, Henry and Ms Wong Lam Kit Yee has been established to advise the Independent Shareholders in respect of the New Lease Agreement, the Lease Renewal Agreement, the Additional Subway Software Agreement, the New Japan Master Agreement, the Lease Annual Caps and the Japan Annual Caps. KGI Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the New Lease Agreement, the Lease Renewal Agreement, the Additional Subway Software Agreement, the New Japan Master Agreement, the Lease Annual Caps and the Japan Annual Caps.

### RECOMMENDATIONS

The Independent Board Committee, having taken into account the advice of KGI Capital, is of the view that the New Lease Agreement, the Lease Renewal Agreement, the Additional Subway Software Agreement, the New Japan Master Agreement are (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole, and the Lease Annual Caps and the Japan Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Group and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM.

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## LETTER FROM THE BOARD

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### SGM

A notice convening the SGM to be held at 10:30 a.m. on Monday, 22 September 2008 at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong is set out in this circular. At the SGM, ordinary resolutions will be proposed for the Independent Shareholders to consider, and if thought fit, to approve the New Lease Agreement, the Lease Renewal Agreement, the Additional Subway Software Agreement, the New Japan Master Agreement, the Lease Annual Caps and the Japan Annual Caps as set out in such notice.

The ordinary resolutions to be proposed at the SGM to approve the New Lease Agreement, the Lease Renewal Agreement, the Additional Subway Software Agreement, the New Japan Master Agreement, the Lease Annual Caps and the Japan Annual Caps will be determined by way of poll by the Independent Shareholders. Peking Founder is interested in 367,179,610 issued shares of the Company and controlled the voting rights of such shares, representing approximately 32.49% of the issued share capital of the Company as at the Latest Practicable Date. Peking Founder and its associates are required to abstain from voting at the SGM in respect of the ordinary resolutions.

Enclosed with this circular is a form of proxy for use at the SGM. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon contained in the notice of the SGM of this circular. The completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish.

### GENERAL

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

Yours faithfully,  
By Order of the Board  
**Founder Holdings Limited**  
**Zhang Zhao Dong**  
*Chairman*



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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3 September 2008

*To the Independent Shareholders*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTION**

We refer to the circular dated 3 September 2008 issued to the Shareholders (the “Circular”), of which this letter forms part. Unless the context otherwise requires, terms used in this letter have the same meanings as defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise you in respect of the New Lease Agreement, the Lease Renewal Agreement, the Additional Subway Software Agreement, the New Japan Master Agreement, the Lease Annual Caps and the Japan Annual Caps. KGI Capital has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this regard.

Having taken into account the opinion of KGI Capital and, in particular, the principal factors, reasons and recommendation set out in the letter from KGI Capital on pages 16 to 28 of the Circular, we consider that the terms of the transactions contemplated under the New Lease Agreement, the Lease Renewal Agreement, the Additional Subway Software Agreement and the New Japan Master Agreement are (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole, and the Lease Annual Caps and the Japan Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the New Lease Agreement, the Lease Renewal Agreement, the Additional Subway Software Agreement, the New Japan Master Agreement, the Lease Annual Caps and the Japan Annual Caps.

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

Yours faithfully,  
For and on behalf of  
**Independent Board Committee**

**Li Fat Chung      Hu Hung Lick, Henry      Wong Lam Kit Yee**  
*Independent non-executive Directors*

\* For identification purpose only

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## LETTER FROM KGI CAPITAL

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



### **KGI Capital Asia Limited**

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

Tel: 2878 6888

Fax: 2970 0080

3 September 2008

*To the Independent Board Committee and  
the Independent Shareholders*

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

Dear Sirs and Madams,

### **CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTION**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the New Lease Agreement, the Lease Renewal Agreement, the Additional Subway Software Agreement, the New Japan Master Agreement, the transactions contemplated under these agreements, the Lease Annual Caps and the Japan Annual Caps, particulars of which are set out in the “Letter from the Board” (the “Letter”) contained in the circular to the Shareholders dated 3 September 2008 (the “Circular”), of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

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## LETTER FROM KGI CAPITAL

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### **Leasing of office premises**

As stated in the Letter, with reference to the Company's announcement dated 21 November 2005, the Group has been leasing certain premises at Shangdi Founder Building from the Peking Founder Group under the Electronics Lease Agreement as offices, canteens and staff quarters. In anticipation of the growth in the Group's business and operation and to maintain the Group's current centralized office locations in Beijing, the Group entered into the New Lease Agreement on 15 August 2008 with Fangcheng, a wholly-owned subsidiary of Peking Founder, to lease additional office space from the Peking Founder Group. Due to the soon expiry of the Electronics Lease Agreement and the New Lease Agreement on 31 December 2008, the Group entered into the Lease Renewal Agreement on 15 August 2008 to renew the leases for another term of three years from 2009 to 2011. The Company has set an annual cap of RMB230,000 (equivalent to approximately HK\$262,000) in respect of the property leasing transactions under the New Lease Agreement for the year ending 31 December 2008. The annual cap for the lease transactions under the Lease Renewal Agreement for each of the three years ending 31 December 2011 is RMB10,185,000 (equivalent to approximately HK\$11,611,000).

Peking Founder is the ultimate controlling shareholder of the Company holding approximately 32.49% of the issued share capital of the Company as at the Latest Practicable Date and thus a connected person of the Company. Fangcheng is wholly-owned by Peking Founder and is an associate of Peking Founder. As the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules exceed 2.5%, the transactions under the New Lease Agreement (after aggregating with the estimated rental and management fees paid and payable by the Group to the Peking Founder Group for the year ending 31 December 2008 in respect of the leases under the Electronics Lease Agreement and the Order Lease Agreement) and the Lease Renewal Agreement constitute non-exempt continuing connected transactions for the Company. Such continuing connected transactions and the Lease Annual Caps are subject to the approval of the Independent Shareholders at the SGM, where Peking Founder and its associates are required to abstain from voting in this regard.

### **Additional Subway Software Agreement**

With reference to the announcement of the Company dated 7 November 2005, Founder Order, a wholly-owned subsidiary of the Company, was appointed as a contractor by Beijing Railway Company in respect of the AFC System Project. On 5 December 2007, Beijing Railway Company engaged Founder Order to carry out additional software development work in respect of the AFC System Project. As announced by the Company on 15 January 2008, Founder Order entered into the 2008 Subway Software Agreement on 11 January 2008 with Founder International to subcontract a part of the additional software development work to Founder International for a consideration of approximately RMB12.90 million (equivalent to approximately HK\$14.71 million) before value added tax. On 15 August 2008, Founder Order entered into the Additional Subway Software Agreement to engage Founder International to carry out the rest of the additional software development work required by Beijing Railway Company. The total consideration of the Additional Subway Software Agreement is approximately RMB1.86 million (equivalent to approximately HK\$2.12 million) before value added tax and approximately RMB1.97 million (equivalent to approximately HK\$2.25 million) after value added tax payable by Founder Order to Founder International in cash. The total consideration shall be paid in two equal payments respectively within five and ten days after Founder International has completed the software development under the Additional Subway Software Agreement.

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## LETTER FROM KGI CAPITAL

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Founder International is indirectly and effectively owned as to approximately 39.01% by Peking Founder as at the Latest Practicable Date, and thus a connected person of the Company under the Listing Rules. The transaction under the Additional Subway Software Agreement (after aggregating with the 2008 Subway Software Agreement entered into in January 2008) constitutes a non-exempt connected transaction for the Company and is subject to the Independent Shareholders' approval at the SGM, where Peking Founder and its associates are required to abstain from voting in this regard.

### **New Japan Master Agreement**

Founder Electronics has been selling software products and providing software development services to Founder Japan pursuant to the Japan Software Agreement, which expired on 6 February 2008. On 15 August 2008, the Company and Founder Japan entered into the New Japan Master Agreement. The Company has set the Japan Annual Caps for the transactions under the New Japan Master Agreement for each of the three years ending 31 December 2010 at HK\$11,505,000, HK\$13,806,000 and HK\$15,187,000, respectively.

Founder Japan is indirectly and effectively owned as to approximately 39.01% by Peking Founder as at the Latest Practicable Date. Founder Japan is an associate of Peking Founder and thus a connected person of the Company under the Listing Rules. As the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules exceed 2.5%, the transactions under the New Japan Master Agreement constitute non-exempt continuing connected transactions for the Company. Such transactions and the Japan Annual Caps are subject to the Independent Shareholders' approval at the SGM, where Peking Founder and its associates are required to abstain from voting in this regard.

### **THE INDEPENDENT BOARD COMMITTEE**

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

We, KGI Capital Asia Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether or not the terms of the transactions contemplated under the New Lease Agreement, the Lease Renewal Agreement, the Additional Subway Software Agreement, the New Japan Master Agreement, the Lease Annual Caps and the Japan Annual Caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM KGI CAPITAL

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### **BASIS OF OUR OPINION**

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

In formulating our opinion, we have obtained and reviewed relevant information and documents provided by the Company and its Directors and management of the Company in connection with the transactions and discussed with the management of the Company so as to assess the fairness and reasonableness of the terms of the transactions contemplated under the New Lease Agreement, the Lease Renewal Agreement, the Additional Subway Software Agreement, the New Japan Master Agreement, the Lease Annual Caps and the Japan Annual Caps. Relevant information and documents included, among other things, the annual report of the Company for the year ended 31 December 2007, the New Lease Agreement, the Lease Renewal Agreement, the Electronics Lease Agreement, the Additional Subway Software Agreement, the 2008 Subway Software Agreement, the New Japan Master Agreement, the basis of determination of the Lease Annual Caps and the basis of determination of the Japan Annual Caps provided by the Company. We believe that we have reviewed sufficient information to enable us to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion regarding the terms of the transactions contemplated under the New Lease Agreement, the Lease Renewal Agreement, the Additional Subway Software Agreement, the New Japan Master Agreement, the Lease Annual Caps and the Japan Annual Caps. We have not, however, carried out any independent verification of the information and representations provided to us by the management of the Company and the Directors nor have we conducted any form of independent investigation into the businesses and affairs, financial position or the future prospects of the Company, Founder Electronics, Fangcheng, Founder Order, Peking Founder, Founder International, Founder Japan or their respective subsidiaries or associated companies.

Our opinion is necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations and opinions made available to us as of, the Latest Practicable Date. Our opinion does not in any manner address the Company's own decision to proceed with the entering into the New Lease Agreement, the Lease Renewal Agreement, the Additional Subway Software Agreement and the New Japan Master Agreement. 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.

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## LETTER FROM KGI CAPITAL

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the New Lease Agreement, the Lease Renewal Agreement, the Additional Subway Software Agreement, the New Japan Master Agreement, the Lease Annual Caps and the Japan Annual Caps, we have taken the following principal factors and reasons into consideration:

#### **Leasing of office premises**

##### *1. Background of the New Lease Agreement and the Lease Renewal Agreement*

The Group has been leasing office premises in Beijing, the PRC from the Peking Founder Group on normal commercial terms. With reference to the Company's announcement dated 21 November 2005, the Group has been leasing certain premises at Shangdi Founder Building from the Peking Founder Group under the Electronics Lease Agreement as offices, canteens and staff quarters. On 15 August 2008, Founder Electronics entered into the New Lease Agreement with Fangcheng to lease extra office space from the Peking Founder Group and entered into the Lease Renewal Agreement with Fangcheng to renew certain lease agreements entered into between the Group and the Peking Founder Group. The principal terms of the New Lease Agreement and the Lease Renewal Agreement are stated in the Letter. The Directors confirm that the terms of the New Lease Agreement and the Lease Renewal Agreement are arrived at after arm's length negotiations between the parties involved with reference to the prevailing market rent of comparable properties in Beijing. The Directors consider that the transactions under the New Lease Agreement and the Lease Renewal Agreement are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole.

##### *2. Reasons for and the benefits of entering into the New Lease Agreement and the Lease Renewal Agreement*

In order to consider the fairness and reasonableness of the New Lease Agreement, we have taken into consideration of the following aspects:

- (i) according to the Directors, businesses and operations of the Group have been growing rapidly in 2008 and are anticipated by the Company to continue to grow. To cope with the expanding business, Founder Electronics plans to increase its number of staff by approximately 20% by the end of 2008. The Company believes that the existing office space of Founder Electronics cannot support its anticipated expansion and therefore consider it necessary and beneficial for the Company to enter into the New Lease Agreement to lease additional office space;

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## LETTER FROM KGI CAPITAL

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- (ii) the property to be leased under the New Lease Agreement is 3rd floor and 4th floor of the ancillary tower of Shangdi Founder Building, with a total area of approximately 1,249.81 sq. m. The existing office of Founder Electronics is 1st floor to 5th floor and basement of the main tower and basement of the ancillary tower of Shangdi Founder Building. The Company considers that the property to be leased under the New Lease Agreement is close to Founder Electronics' existing office and can thus enable effective inter-office communication, enhance operational efficiency and reduce operating costs in the long run. The Directors also consider the area of the property to be leased under the New Lease Agreement is in line with the Company's expansion plan;
- (iii) the unit rental (inclusive of management fees) of the property to be leased under the New Lease Agreement is RMB1.8 per sq. m. per day. We note from the Company that another subsidiary of the Company entered into a lease agreement with an independent third party earlier this year to lease a commercial property in Beijing (the "Reference Property") at a higher unit rental (inclusive of management fees) of RMB2.1 per sq. m. per day. We have reviewed the agreement of the above-mentioned lease transaction and noted that the Reference Property is located on the same road as the property to be leased under the New Lease Agreement. We also reviewed various photos of the Reference Property and the property to be leased under the New Lease Agreement and we are of the view that the fixtures and appearance of the Reference Property are comparable to those of the property under the New Lease Agreement. Therefore, we concur with the view of the Directors that the rental of the New Lease Agreement is fairly and reasonably determined;
- (iv) the rental and management fees are payable in cash quarterly in advance and Founder Electronics will not be required to pay deposits. We consider it in the interests of the Company and the Shareholders that the Company will not be required to pay deposits. In addition, Founder Electronics will be entitled to continue the leases by giving a written notice to Fangcheng at least two-month before the expiry of the New Lease Agreement, which we also consider to be in the interests of the Company as a whole as the Group will have the stable premises for its business and also maintain the flexibility to relocate its office.

In order to consider the fairness and reasonableness of the Lease Renewal Agreement, we have taken into consideration of the following aspects:

- (i) the Electronics Lease Agreement and the New Lease Agreement will expire on 31 December 2008. To support the anticipated growth of the business and operation of the Group and to maintain the Group's current centralized office locations in Beijing, the Directors consider it necessary and in the interest of the Group to enter into the Lease Renewal Agreement to renew the leases for another term of three years from 2009 to 2011. After taking into account the possible cost and time which may otherwise incur to the Group in the case of relocation, we concur with the Directors' view that entering into the Lease Renewal Agreement is beneficial to the Group and its shareholders as a whole;

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## LETTER FROM KGI CAPITAL

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- (ii) the property to be leased under the Lease Renewal Agreement includes (a) 1st to 5th floor and basement of the main tower of Shangdi Founder Building and (b) 3rd floor, 4th floor and basement of the ancillary tower of Shangdi Founder Building, of which 1st to 5th floor and basement of the main tower of Shangdi Founder building and basement of the ancillary tower of Shangdi Founder Building are also the subject leased property of the Electronics Lease Agreement (the “Electronics Lease Property”) and 3rd to 4th floor of the ancillary tower of the ancillary tower of Shangdi Founder Building are also the subject leased property of the New Lease Agreement (the “New Lease Property”). The total area to be leased under the Lease Renewal Agreement is approximately 16,055.82 sq. m. We have compared the terms of the lease of the Electronics Lease Property under the Lease Renewal Agreement with those under the Electronics Lease Agreement. We note that the unit rental (inclusive of the management fees) for 1st to 5th floor of Shangdi Founder building is RMB2.1 per sq. m. per day under the Lease Renewal Agreement, which is slightly higher than that of RMB2.02 per sq. m. per day under the Electronics Lease Agreement by approximately 4%, and, other than that, the terms of the lease of the Electronics Lease Property under the two agreements are materially the same;
- (iii) the unit rental (inclusive of the management fees) of the New Lease Property under the Lease Renewal Agreement is RMB2.1 per sq. m. per day for each of the three years ending 31 December 2011, representing approximately 16.7% increase over the unit rental of the same property under the New Lease Agreement. To assess the unit rental of the New Lease Property under the Lease Renewal Agreement, we also make reference to the Reference Property as mentioned above. Having considered that the fixtures and appearance of the Reference Property are comparable to those of the New Lease Property (as discussed before) and that the unit rental (inclusive of management fees) of the Reference Property is also RMB2.1 per sq. m. per day, we concur with the view of the Directors that the rental (inclusive of the management fees) of the New Lease Property under the Lease Renewal Agreement is fairly and reasonably determined;
- (iv) the rental and management fees are payable in cash quarterly in advance and Founder Electronics will not be required to pay deposits. We consider it in the interests of the Company and the Shareholders that the Company will not be required to pay deposits. In addition, Founder Electronics will be entitled to continue the leases by giving a written notice to Fangcheng at least two-month before the expiry of the Lease Renewal Agreement, which we also consider to be in the interests of the Company as a whole as the Group will have the stable premises for its business and also maintain the flexibility to relocate its office.



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## LETTER FROM KGI CAPITAL

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### 3. *Lease Annual Caps*

The Company has set an annual cap of RMB230,000 (equivalent to approximately HK\$262,000) in respect of the property leasing transactions under the New Lease Agreement for the year ending 31 December 2008. The annual cap for the lease transactions under the Lease Renewal Agreement for each of the three years ending 31 December 2011 is RMB10,185,000 (equivalent to approximately HK\$11,611,000). All the annual caps above are calculated based on the rent and management fees payable by the Group under relevant lease agreements.

Having considered the above reasons and factors, we are of the opinion that the transactions contemplated under the New Lease Agreement and the Lease Renewal Agreement are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole and the Lease Annual Caps are fair and reasonable so far as the interests of the Independent Shareholders are concerned.

### **Additional Subway Software Agreement**

#### 1. *Background and principal terms of the Additional Subway Software Agreement*

The Group is principally engaged in software development and systems integration relating to the media industry and non-media industries relating to financial institutions, commercial enterprises and government departments in the PRC. As stated in the Letter, Founder Order, a wholly-owned subsidiary of the Company, is principally engaged in the provision of systems integration focusing on the banking and securities sectors. Founder International is principally engaged in software development.

With reference to the announcement of the Company dated 7 November 2005, Founder Order was appointed as a contractor by Beijing Railway Company in respect of the AFC System Project. As stated in the Letter, part of the development of an automatic fare collection system for a railway system involves specialized technical software development knowledge. Founder Order engaged Founder International to develop and purchased from Founder International certain software for the AFC System Project.

On 5 December 2007, Beijing Railway Company engaged Founder Order to carry out additional software development work in respect of the AFC System Project. As announced by the Company on 15 January 2008, Founder Order entered into the 2008 Subway Software Agreement on 11 January 2008 with Founder International to subcontract a part of the additional software development work to Founder International for a consideration of approximately RMB12.90 million (equivalent to approximately HK\$14.71 million) before value added tax. On 15 August 2008, Founder Order entered into the Additional Subway Software Agreement to engage Founder International to carry out the rest of the additional software development work required by Beijing Railway Company. The total consideration of the Additional Subway Software Agreement is approximately RMB1.86 million (equivalent to approximately HK\$2.12 million) before value added tax and approximately RMB1.97 million (equivalent to approximately HK\$2.25 million) after value added tax payable by Founder Order to Founder International in cash. The total consideration shall be paid in two equal payments respectively within five and ten days after Founder International has completed the software development under the Additional Subway Software Agreement.

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## LETTER FROM KGI CAPITAL

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As stated in the Letter, the Directors consider that the terms of the Additional Subway Software Agreement are on normal commercial terms, fair and reasonable and the transactions thereunder are in the interests of the Company and its shareholders as a whole and are in the ordinary and usual course of business of the Group.

### *2. Reasons for and the benefits of entering into the Additional Subway Software Agreement*

To consider the fairness and reasonableness of the Additional Subway Software Agreement, we have taken into consideration the following aspects:

- (i) the AFC System Project represented the Group's first engagement in the development of fare collection and ticketing system for railway systems. Part of the development of an automatic fare collection system for a railway system involves specialized technical software development knowledge and the Founder Japan Group has the necessary experience and expertise in software development relating to automatic fare collection systems. The Directors consider that the co-operation with Founder International can broaden the Group's spectrum of services and hence enhance the Group's competitive edge;
- (ii) on 11 January 2008, Founder Order entered into the 2008 Subway Software Agreement with Founder International to subcontract a part of the additional software development work to Founder International. Founder International has started certain technical and feasibility studies on the software development work in respect of the rest of the additional software development work required by Beijing Railway Company. We have discussed with the Directors and the Directors confirmed that the additional software development work under the 2008 Subway Software Agreement has been satisfactorily delivered by Founder International. Therefore, we concur with the view of the Directors that subcontracting the rest of the additional software development work to Founder International will be more cost effective and thus beneficial to the Group as a whole;
- (iii) as confirmed by the Directors, the additional software development work to be carried out under the Additional Subway Software Agreement was only part of the AFC System Project. The Group also provides system integration services to Beijing Railway Company in other aspects of the development of fare collection and ticketing system of the AFC System Project. The Directors believe that by securing satisfactory delivery of the rest of the additional software development work, the Company could maintain long-term business relationship with Beijing Railway Company, which could in turn benefit the Group as a whole by bringing in more job reference in the mass transport sector. Therefore, the Directors consider it appropriate for Founder Order to enter into the Additional Subway Software Agreement to achieve the abovementioned advantages;

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## LETTER FROM KGI CAPITAL

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- (iv) we have compared the terms of the Additional Subway Software Agreement and those of the 2008 Subway Software Agreement and noted that, other than the consideration, the terms of the two agreements are similar. As stated in the Letter, the total consideration of the Additional Subway Software Agreement and the 2008 Subway Software Agreement is equivalent to the consideration under the engagement of Founder Order by Beijing Railway Company in December 2007 to carry out the further software development in respect of the AFC System Project. Having considered the reasons and benefits as stated above and that the total consideration of the Additional Subway Software Agreement and the 2008 Subway Software Agreement is not lower than the consideration under the engagement of Founder Order by Beijing Railway Company, we concur with the Directors' view that the consideration of the Additional Subway Software Agreement is fair and reasonable so far as the interests of the Company and the Independent Shareholders are concerned.

Having considered (i) the Founder Japan Group has the necessary experience and expertise in software development relating to automatic fare collection systems and the co-operation between the Group and Founder International can broaden the Group's spectrum of services and hence enhance the Group's competitive edge; (ii) the provision of the additional software development work under the 2008 Subway Software Agreement by Founder International was satisfactory to the Group; (iii) by securing a satisfactory delivery of the rest of the additional software development work, the Company could maintain long-term business relationship with Beijing Railway Company, which could in turn benefit the Group as a whole by bringing in more job reference in the mass transport sector; and (iv) the consideration of the Additional Subway Software Agreement is considered to be fair and reasonable as discussed above, we are of the opinion that the transactions contemplated under the Additional Subway Software Agreement are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

### **New Japan Master Agreement**

#### *1. Background of the New Japan Master Agreement*

Founder Japan is principally engaged in systems integration and software development. Founder Electronics has been selling software products and providing software development services to Founder Japan pursuant to the Japan Software Agreement, details of which were set out in a circular of the Company dated 28 February 2005. The Japan Software Agreement expired on 6 February 2008. The Group therefore entered into the New Japan Master Agreement on 15 August 2008.

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## LETTER FROM KGI CAPITAL

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### 2. *Principal terms of the New Japan Master Agreement*

On 15 August 2008, Founder Electronics entered into the New Japan Master Agreement, pursuant to which the Group may from time to time for a term up to 31 December 2010 sell software, hardware, and/or system integration products and/or provide software, hardware, and/or system integration development services to the Founder Japan Group at terms determined at the relevant time:

- (i) with reference to the prices and credit terms at which comparable services or products are supplied on normal commercial terms in its ordinary and usual course of business to independent third party customers in local market and/or adjacent regions; or
- (ii) where no comparables as stated in (i) are available, with reference to the prices and credit terms at which comparable services or products are supplied on normal commercial terms in its ordinary and usual course of business to independent third party customers in the PRC; or
- (iii) where none of the above comparables is available, with reference to the prices and credit terms agreed between the parties on arm's length basis which are fair and reasonable and in the interests of the Shareholders as a whole.

As confirmed by the Directors, the Founder Japan Group has a long history in the Japan publishing market. The Directors believe that it is an appropriate way to enter the Japan market through the co-operation with the Founder Japan Group. The New Japan Master Agreement can allow the Group to continue the distribution of its products in Japan without setting up a branch in Japan. Therefore, the Directors are of the view that entering into the New Japan Master Agreement will bring economic benefits to the Group and thus is in the interests of the Group and its Shareholders.

As stated in the Letter, the terms of the New Japan Master Agreement are arrived at after arm's length negotiations between the parties and the Directors are of the view that the transactions under the New Japan Master Agreement are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

We have reviewed orders on a sample basis of transactions under the New Japan Master Agreement and those with independent third party customers and noted that the prices and terms of the products and services supplied to the Founder Japan Group are no less favourable than those supplied to independent third party customers.

Based on the above considerations, we concur with the Directors' view that the terms of the transactions contemplated under the New Japan Master Agreement are fair and reasonable so far as the interests of the Company and the Independent Shareholders are concerned.

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## LETTER FROM KGI CAPITAL

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### 3. *The Japan Annual Caps*

As stated in the Letter, the Company has set the Japan Annual Caps for the transactions under the New Japan Master Agreement for each of the three years ending 31 December 2010 to be HK\$11,505,000, HK\$13,806,000 and HK\$15,187,000 respectively. As discussed with the management of the Company, the Japan Annual Caps were determined based on the following factors:

- (i) the actual transaction amount of software products and software development services supplied by the Group to the Founder Japan Group for the two years ended 31 December 2007 was approximately HK\$6,578,000 and HK\$8,850,000 respectively;
- (ii) the Directors anticipate that the growth rate of the transaction amount under the New Japan Master Agreement for each of the three years ending 31 December 2010 will be 30%, 20% and 10% respectively;

In order to consider the fairness and reasonableness of the Japan Annual Caps, we have reviewed the internal projection of the Group in terms of the estimated sales volume, sales price and product mix of the transactions contemplated under the New Japan Master Agreement. We also discussed with the management of the Company the underlying assumptions of such projection and the Company's expectation on the future prospects of the market. As confirmed by the Directors, package products and OEM business of Founder Electronics (including Research & Development, licensing business, maintenance business) have won market acceptance in Japan and demand for such products and services has been growing rapidly over the past few years. The growth rate of actual transaction amount under the Japan Software Agreement for each of the two years ended 31 December 2007 was approximately 70.3% and 34.5% respectively. The Directors anticipate that the transaction amount for 2008 under the New Japan Master Agreement would continue to grow at a rate comparable to the historic growth rate of 2007. The Company further estimates that the growth rate of sales under the New Japan Master Agreement will begin to slow down from 2009, and will arrive at a moderate growth rate of 10% in 2010. According to a report recently published by a research company, the compounded annual growth rate of China's OEM software export for 2007 to 2012 is estimated to be approximately 35.3% and the compounded annual growth rate of China's OEM software export to Japan and Korea for 2007 to 2012 is estimated to be approximately 27.2%. In view of the above and the actual growth rate of the transaction amount of software products and software development services supplied by the Group to the Founder Japan Group for 2006 and 2007, we are of the view that the anticipated growth rate of the transaction amount under the New Japan Master Agreement for each of the three years ending 31 December 2010 are reasonably grounded.

Based on the above, we consider that the Japan Annual Caps were fairly and reasonably determined.

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## LETTER FROM KGI CAPITAL

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### RECOMMENDATION

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

Yours faithfully,

For and on behalf of  
**KGI Capital Asia Limited**

**Laurent Leung**  
*Director*

**Jimmy Chan**  
*Senior Vice President*

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS BY DIRECTORS

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

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

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

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

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

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

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

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

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



As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2007, being the date to which the latest published audited consolidated accounts of the Company were made up.

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

### 3. SUBSTANTIAL SHAREHOLDERS

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

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

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

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

*Notes:*

- (1) Peking University Asset Management Company Limited was deemed to be interested in the 369,179,610 Shares under the SFO by virtue of its interest in Peking Founder.
- (2) Mr Zhang Zhao Dong, Professor Xiao Jian Guo and Professor Wei Xin, being the Directors, are also the directors of Peking Founder, as at the Latest Practicable Date.

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

#### **4. SERVICE CONTRACTS**

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

#### **5. EXPERT AND CONSENT**

The following are the qualifications of the expert whose advice or opinion is contained in this circular:

<b>Name</b>	<b>Qualification</b>
KGI Capital	A corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

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

As at the Latest Practicable Date, KGI Capital did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2007, being the date to which the latest published audited consolidated accounts of the Company were made up.

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

**6. COMPETING INTERESTS**

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

**7. MATERIAL ADVERSE CHANGE**

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

**8. LITIGATION**

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

**9. PROCEDURES TO DEMAND A POLL**

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

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

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

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

**10. MISCELLANEOUS**

- (i) The company secretary of the Company is Ms Tang Yuk Bo, Yvonne, an Associate Member of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.
- (ii) The qualified accountant of the Company is Mr Lau Fai, Lawrence who is a Fellow of the Association of Chartered Certified Accountants and an Associate Member of the Hong Kong Institute of Certified Public Accountants.
- (iii) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The principal place of business of the Company in Hong Kong is at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong.
- (iv) The branch share register of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (v) The English text of this circular shall prevail over the Chinese text.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents will be available for inspection at the office of the Company in Hong Kong at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong during normal business hours on any weekday (public holidays excluded) from the date of this circular up to and including Monday, 22 September 2008, the date of the SGM:

- (i) the New Lease Agreement;
- (ii) the Lease Renewal Agreement;
- (iii) the Additional Subway Software Agreement;
- (iv) the New Japan Master Agreement;
- (v) the Electronics Lease Agreement;
- (vi) the Order Lease Agreement;

- (vii) 2008 Subway Software Agreement;
- (viii) the agreement entered into between Founder Order and Beijing Railway Company dated 24 June 2005 in respect of the engagement of Founder Order as a contractor in respect of the AFC System Project;
- (ix) the agreement entered into between Founder Order and Beijing Railway Company dated 5 December 2007 in respect of the engagement of Founder Order as a contractor in respect of the additional software development work of the AFC System Project; and
- (x) Japan Software Agreement.

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## NOTICE OF THE SGM

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**NOTICE IS HEREBY GIVEN** that a special general meeting of Founder Holdings Limited (the “Company”) will be held at 10:30 a.m. on Monday, 22 September 2008 at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong for the purpose of considering and, if thought fit, passing the following ordinary resolutions:

### ORDINARY RESOLUTIONS

1. **“THAT:**

- (a) the terms of the New Lease Agreement dated 15 August 2008 (as defined in the circular of the Company dated 3 September 2008 (the “Circular”) of which this notice forms part) (a copy of the New Lease Agreement is produced to the meeting marked “A” and signed by the Chairman of the meeting for the purpose of identification) entered into between 北京北大方正電子有限公司 (Beijing Founder Electronics Co., Ltd.\*) and 北京方誠物業管理有限責任公司 (Beijing Fangcheng Property Management Co., Limited\*), the transactions contemplated under the New Lease Agreement and the proposed annual cap in respect of the transactions contemplated under the New Lease Agreement for the year ending 31 December 2008 as set out in the Circular be and are hereby approved; and
- (b) any one director of the Company be and is hereby authorised on behalf of the Company to execute all such documents, in such final form or with such amendments as that director may deem appropriate, and to do all such acts or things, as he/she may in his/her absolute discretion consider necessary or desirable, to give effect to the New Lease Agreement and the transactions contemplated therein.”

2. **“THAT:**

- (a) the terms of the Lease Renewal Agreement dated 15 August 2008 (as defined in the Circular of which this notice forms part) (a copy of the Lease Renewal Agreement is produced to the meeting marked “B” and signed by the Chairman of the meeting for the purpose of identification) entered into between 北京北大方正電子有限公司 (Beijing Founder Electronics Co., Ltd.\*) and 北京方誠物業管理有限責任公司 (Beijing Fangcheng Property Management Co., Limited\*), the transactions contemplated under the Lease Renewal Agreement and the proposed caps in respect of the transactions contemplated under the Lease Renewal Agreement for each of the three years ending 31 December 2011 as set out in the Circular be and are hereby approved; and

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## NOTICE OF THE SGM

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

3. **“THAT:**

- (a) the terms of the Additional Subway Software Agreement dated 15 August 2008 (as defined in the Circular of which this notice forms part) (a copy of the Additional Subway Software Agreement is produced to the meeting marked “C” and signed by the Chairman of the meeting for the purpose of identification) entered into between 北京方正奧德計算機系統有限公司 (Beijing Founder Order Computer System Co., Limited\*) and 北京方正國際軟件系統有限公司 (Beijing Founder International Co., Limited\*) and the transactions contemplated under the Additional Subway Software Agreement be and are hereby approved; and
- (b) any one director of the Company be and is hereby authorised on behalf of the Company to execute all such documents, in such final form or with such amendments as that director may deem appropriate, and to do all such acts or things, as he/she may in his/her absolute discretion consider necessary or desirable, to give effect to the Additional Subway Software Agreement and the transactions contemplated therein.”

4. **“THAT:**

- (a) the terms of the New Japan Master Agreement dated 15 August 2008 (as defined in the Circular of which this notice forms part) (a copy of the New Japan Master Agreement is produced to the meeting marked “D” and signed by the Chairman of the meeting for the purpose of identification) entered into between the Company and 方正株式會社 (Founder International Inc.), the transactions contemplated under the New Japan Master Agreement and the proposed caps in respect of the transactions contemplated under the New Japan Master Agreement for each of the three years ending 31 December 2010 as set out in the Circular be and are hereby approved; and
- (b) any one director of the Company be and is hereby authorised on behalf of the Company to execute all such documents, in such final form or with such amendments as that director may deem appropriate, and to do all such acts or things, as he/she may in his/her absolute discretion consider necessary or desirable, to give effect to the New Japan Master Agreement and the transactions contemplated therein.”

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

Hong Kong, 3 September 2008

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## NOTICE OF THE SGM

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*Notes:*

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

\* *For identification purpose only*