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

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

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CONTINUING CONNECTED TRANSACTIONS MAJOR TRANSACTION ENTRUSTED LOAN MASTER AGREEMENT

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



A letter from the board of directors of Founder Holdings Limited is set out on pages 3 to 9 of this circular. A letter from the Independent Board Committee (as defined herein) of the Company is set out on page 10 of this circular. A letter from KGI Capital Asia Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 11 to 19 of this circular.

A notice convening the special general meeting to be held at 10:30 a.m. on Thursday, 20 August 2009 at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong is set out on pages 27 to 28 of this circular. Whether or not you are able to attend the special general meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible to the principal place of business of Founder Holdings Limited at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong and in any event not later than 48 hours before the time of the special general meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting should you so wish.

4 August 2009

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
1. Introduction	3
2. Entrusted Loan Master Agreement	4
3. Listing Rules Requirements	8
4. SGM.....	8
5. Recommendation	9
Letter from the Independent Board Committee	10
Letter from KGI Capital	11
Appendix I — Financial information of the Group	20
Appendix II — General information	22
Notice of SGM	27

DEFINITIONS

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

“Announcement”	the announcement made by the Company dated 15 July 2009
“associate(s)”	has the meaning as ascribed to it in the Listing Rules
“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
“Entrusted Loan Master Agreement”	the master agreement dated 15 July 2009 entered into between the Company and Peking Founder, pursuant to which the Group would, subject to certain conditions, provide entrusted loans to Peking Founder Group
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	The independent board committee comprising all independent non-executive Directors, namely, Mr Li Fat Chung, Dr Hu Hung Lick, Henry and Ms Wong Lam Kit Yee, established for the purpose of advising the Independent Shareholders in relation to the transactions contemplated under the Entrusted Loan Master Agreement (including the proposed annual caps for the three years ending 31 December 2011)
“Independent Shareholders”	Shareholders other than Peking Founder and its associates
“KGI Capital”	KGI Capital Asia Limited, a licenced corporation under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities, which has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Entrusted Loan Master Agreement (including the proposed annual caps for the three years ending 31 December 2011)

DEFINITIONS

“Latest Practicable Date”	means 30 July 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Peking Founder”	北大方正集團有限公司 (Peking University Founder Group Company Limited*), a company established in the PRC with limited liabilities, the controlling shareholder of the Company holding approximately 32.49% of the issued share capital of the Company
“Peking Founder Group”	Peking Founder and its subsidiaries
“PRC” or “China”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region and Taiwan for the purpose of this circular
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held by the Company at 10:30 a.m. on Thursday, 20 August 2009 for approving, inter alia, the transactions contemplated under the Entrusted Loan Master Agreement
“Shareholder(s)”	holder(s) of ordinary share(s) of HK\$0.1 each in the issued shares capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

For illustrative purposes only, HK\$ is converted into RMB at an exchange rate of HK\$1 = RMB0.88166 in this circular.

** For identification purpose only*

LETTER FROM THE BOARD



(Incorporated in Bermuda with limited liability)

(Stock Code: 00418)

Executive Directors:

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

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

4 August 2009

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
MAJOR TRANSACTION
ENTRUSTED LOAN MASTER AGREEMENT**

1. INTRODUCTION

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

On 15 July 2009, the Company has entered into the Entrusted Loan Master Agreement with Peking Founder pursuant to which the Group would, subject to certain conditions, provide short-term loans through a financial institution (to be designated by the parties and being an independent third party to the Company and its connected persons) to the Peking Founder Group.

* For identification purpose only

LETTER FROM THE BOARD

The provision of the entrusted loans under the Entrusted Loan Master Agreement constitutes (i) advance to an entity under Rule 13.13 of the Listing Rules; (ii) financial assistance provided by the Company not in the ordinary and usual course of business and a major transaction under Chapter 14 of the Listing Rules; and (iii) continuing connected transactions under Chapter 14A of the Listing Rules. Since one of the applicable percentage ratios in respect of the Entrusted Loan Master Agreement exceeds 25%, the transactions contemplated under the Entrusted Loan Master Agreement shall be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to the Listing Rules.

The Company is owned as to approximately 32.49% by Peking Founder. Peking Founder is a connected person of the Company for the purposes of Chapter 14A of the Listing Rules.

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

2. ENTRUSTED LOAN MASTER AGREEMENT

Date

15 July 2009

Parties

- (1) The Company, as the lender; and
- (2) Peking Founder, as the borrower.

Entrusted loans to be provided by the Company

The Company has entered into the Entrusted Loan Master Agreement with Peking Founder pursuant to which the Group would provide, subject to certain conditions, short-term loans through a financial institution (to be designated by the parties and being an independent third party to the Company and its connected persons) to the Peking Founder Group. Such loans will be unsecured and interest-bearing at the prevailing benchmark RMB lending rate for loan period of six months offered by The People's Bank of China ("PBOC") plus 10% of such rate. For example, if the prevailing benchmark RMB lending interest rate as quoted by the PBOC is 5% per annum, the interest rate for the entrusted loans would be 5.5% per annum. Under the Entrusted Loan Master Agreement, no collateral was provided by Peking Founder to the Company. Separate entrusted loan agreements will be entered into between the Group, Peking Founder Group and the designated financial institution upon request by Peking Founder pursuant to the terms and conditions of the Entrusted Loan Master Agreement.

LETTER FROM THE BOARD

Period

The Entrusted Loan Master Agreement shall take immediate effect after satisfaction of the conditions as set out below and shall continue for a period up to 31 December 2011.

Proposed annual caps for the entrusted loans

The following table sets out the proposed annual caps for the entrusted loans under the Entrusted Loan Master Agreement (representing the maximum balance of the principal and interests of the relevant entrusted loans) for the three years ending 31 December 2011:

	Year ending 31 December 2009	Year ending 31 December 2010	Year ending 31 December 2011
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Proposed annual caps	175,000,000	181,125,000	187,464,000

The proposed annual cap amounts for the Entrusted Loan Master Agreement are determined based on the Group's average cash and bank balance as at 31 December for the three years ended 31 December 2008 which was approximately HK\$274,106,000. After deducting the average total quarterly selling and administrative expenses of the Group of approximately HK\$77,760,000, the average excess of cash and bank balance of the Group would have been approximately HK\$196,346,000 (approximately equivalent to RMB173,079,000). It is expected that there will be a 3.5% annual increase in the Group's net asset value and therefore the Company intends to have a 3.5% year-to-year increase for the annual caps for the two years ending 31 December 2011. Based on the above, the relevant annual caps are set in the amount of RMB175,000,000, RMB181,125,000 and RMB187,464,000 respectively for the three years ending 31 December 2011.

Repayment term

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

LETTER FROM THE BOARD

Events of default

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

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

Conditions

The Entrusted Loan Master Agreement is conditional upon the fulfillment of the following conditions:

- (1) the passing of the resolution by the Independent Shareholders at the SGM for approving the terms of the Entrusted Loan Master Agreement as required under the Listing Rules;
- (2) the Board having approved the terms of the Entrusted Loan Master Agreement in accordance with the Company's bye-laws;
- (3) the board of directors of Peking Founder having approved the terms of the Entrusted Loan Master Agreement in accordance with Peking Founder's articles of associations;

LETTER FROM THE BOARD

- (4) the warranties and representations as set out in the Entrusted Loan Master Agreement given by both parties remains true and accurate; and
- (5) any other regulatory approval (if any) applicable to the Company and Peking Founder is obtained.

Reasons and benefit to the Group

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

The Group is principally engaged in software development and system integration relating to the media industry and non-media industries relating to financial institutions, commercial enterprises and government departments in the PRC.

Since no member of the Group is a licensed financial institution, the Group is not authorized to carry out banking related businesses in the PRC. As such, in order to fully utilize the Group's surplus cash in the PRC and enhance the monetary return of such surplus fund, the Company has made proposals for loan arrangements in the form of entrusted loans through a financial institution designated by the Group and the Peking Founder Group. The entrusted loans are granted by the designated financial institution to the Peking Founder Group on behalf of the Group, from time to time, on a short-term basis and on normal and commercial terms.

The terms of the Entrusted Loan Master Agreement, including the interest rate applicable, were agreed by the parties after arm's length negotiations having taken into account the prevailing market interest rates and practices. The executive Directors consider that the interest rate under the Entrusted Loan Master Agreement is favourable to the Group and the provision of the entrusted loans to the Peking Founder Group could generate a higher return for the idle surplus cash of the Group. Due to the scarce investment opportunity under the current financial environment and taken into consideration the creditworthiness of the Peking Founder Group and its sound financial performance in the past, the executive Directors consider that the entrusted loan arrangement will definitely bring in more value to the shareholders of the Company as a whole by enhancing the monetary return of the Group's surplus funds generated from operations. Based on the above, the executive Directors consider that the terms of the Entrusted Loan Master Agreement and the transactions contemplated therein are on normal commercial terms and are fair and reasonable though not in the ordinary and usual course of business of the Group but are in the interests of the Company and its shareholders as a whole.

LETTER FROM THE BOARD

3. LISTING RULES REQUIREMENTS

The Company is owned as to approximately 32.49% by Peking Founder. Peking Founder is a connected person of the Company for the purposes of Chapter 14A of the Listing Rules.

The provision of the entrusted loans under the Entrusted Loan Master Agreement constitutes (i) advance to an entity under Rule 13.13 of the Listing Rules; (ii) financial assistance provided by the Company not in the ordinary and usual course of business and a major transaction under Chapter 14 of the Listing Rules; and (iii) continuing connected transactions under Chapter 14A of the Listing Rules. Since one of the applicable percentage ratios in respect of the Entrusted Loan Master Agreement exceeds 25%, the transactions contemplated under the Entrusted Loan Master Agreement shall be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders in connection with the Entrusted Loan Master Agreement (including the proposed annual caps for the three years ending 31 December 2011).

The Company has appointed KGI Capital as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Peking Founder and its associates will abstain from voting at the SGM in respect of the relevant resolution.

4. SGM

A notice convening the SGM to be held at 10:30 a.m., on Thursday, 20 August 2009 at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong is set out on pages 27 to 28 of this circular for the purpose of considering and, if thought fit, passing the ordinary resolution in relation to the transactions contemplated under the Entrusted Loan Master Agreement (including the proposed annual caps for the three years ending 31 December 2011).

The ordinary resolution to be proposed at the SGM will be determined by way of poll by the Independent Shareholders. Peking Founder and its associates who altogether held 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 resolution.

LETTER FROM THE BOARD

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

5. RECOMMENDATION

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

KGI Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders respectively on the Entrusted Loan Master Agreement (including the proposed annual caps for the three years ending 31 December 2011).

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

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

GENERAL

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



(Incorporated in Bermuda with limited liability)

(Stock Code: 00418)

4 August 2009

To the Independent Shareholders

Dear Sir or Madam,

ENTRUSTED LOAN MASTER AGREEMENT

We refer to the circular dated 4 August 2009 issued by the Company (the “**Circular**”) of which this letter forms part. Terms used in this letter shall bear the same meanings as given to them in the Circular unless the context otherwise requires.

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

We wish to draw your attention to the letter from the Board, as set out on pages 3 to 9 of the Circular, and the letter from KGI Capital to the Independent Board Committee and the Independent Shareholders containing its advice in respect of the Entrusted Loan Master Agreement (including the proposed annual caps for the three years ending 31 December 2011), as set out on pages 11 to 19 of the Circular.

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

Yours faithfully,
Independent Board Committee

Li Fat Chung
*Independent non-executive
Director*

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

Wong Lam Kit Yee
*Independent non-executive
Director*

* For identification purpose only

LETTER FROM KGI CAPITAL

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



KGI Capital Asia Limited

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

Tel: 2878 6888
Fax: 2970 0080

4 August 2009

To the Independent Board Committee and the Independent Shareholders
Founder Holdings Limited
Unit 1408, 14th Floor, Cable TV Tower
9 Hoi Shing Road
Tsuen Wan, New Territories
Hong Kong

Dear Sirs or Madams,

CONTINUING CONNECTED TRANSACTIONS MAJOR TRANSACTION ENTRUSTED LOAN MASTER AGREEMENT

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 Entrusted Loan Master Agreement (including the proposed annual caps for each of the three financial years ending 31 December 2011 (the “Proposed Annual Caps”)), particulars of which are set out in the “Letter from the Board” (the “Letter”) contained in the circular to the Shareholders dated 4 August 2009 (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.

The Entrusted Loan Master Agreement

On 15 July 2009, the Company has entered into the Entrusted Loan Master Agreement with Peking Founder pursuant to which the Group would, subject to certain conditions, provide short-term loans through a financial institution (to be designated by the parties and being an independent third party to the Company and its connected persons) to the Peking Founder Group.

LETTER FROM KGI CAPITAL

The Company is owned as to approximately 32.49% by Peking Founder. Peking Founder is a connected person of the Company for the purposes of Chapter 14A of the Listing Rules. Accordingly, the provision of the entrusted loans under the Entrusted Loan Master Agreement constitutes (i) advance to an entity under Rule 13.13 of the Listing Rules; (ii) financial assistance provided by the Company not in the ordinary and usual course of business and a major transaction under Chapter 14 of the Listing Rules; and (iii) continuing connected transactions under Chapter 14A of the Listing Rules. Since one of the applicable percentage ratios in respect of the Entrusted Loan Master Agreement exceed 25%, the transactions contemplated under the Entrusted Loan Master Agreement shall be subject to the reporting, announcement and the Independent Shareholders' approval requirements pursuant to the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

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

BASIS OF OUR OPINION

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

LETTER FROM KGI CAPITAL

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 Entrusted Loan Master Agreement (including the Proposed Annual Caps). Relevant information and documents included, among other things, the annual reports of the Company for the three financial years ended 31 December 2006, 2007 and 2008 (the “Annual Reports”), the Entrusted Loan Master Agreement and the basis of determination of the Proposed 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 Entrusted Loan Master Agreement (including the Proposed Annual Caps). We have not, however, carried out any independent verification of the information and representations provided to us by the management of the Company and the Directors nor have we conducted any form of independent investigation into the businesses and affairs, financial position or the future prospects of the Company, Peking Founder or their respective subsidiaries or associated companies.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Entrusted Loan Master Agreement (including the Proposed Annual Caps), we have taken the following principal factors and reasons into consideration:

Background of and reasons for entering into the Entrusted Loan Master Agreement

On 15 July 2009, the Company, as the lender, has entered into the Entrusted Loan Master Agreement with Peking Founder, as the borrower, pursuant to which the Group would, subject to certain conditions, provide short-term loans through a financial institution (to be designated by the parties and being an independent third party to the Company and its connected persons) (the “Designated Financial Institution”) to the Peking Founder Group. Such loans will be unsecured and interest-bearing at the prevailing benchmark RMB lending rate for loan period of six months offered by The People’s Bank of China (“PBOC”) plus 10% of such rate. For example, if the prevailing benchmark RMB lending

LETTER FROM KGI CAPITAL

interest rate as quoted by the PBOC is 5% per annum, the interest rate for the entrusted loans would be 5.5% per annum. Under the Entrusted Loan Master Agreement, no collateral is provided by Peking Founder to the Company. Separate entrusted loan agreements will be entered into between the Group, the Peking Founder Group and the Designated Financial Institution upon request by Peking Founder pursuant to the terms and conditions of the Entrusted Loan Master Agreement.

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

The Group is principally engaged in software development and system integration relating to the media industry and non-media industries relating to financial institutions, commercial enterprises and government departments in the PRC.

As stated in the Letter, since no member of the Group is a licensed financial institution, the Group is not authorized to carry out banking related businesses in the PRC. As such, in order to fully utilize the Group's surplus cash in the PRC and enhance the monetary return of such surplus fund, the Company has made proposals for loan arrangements in the form of entrusted loans through the Designated Financial Institution. As confirmed by the Directors, the entrusted loans will be granted by the Designated Financial Institution to the Peking Fonder Group on behalf of the Group, from time to time, on a short-term basis and on normal commercial terms.

As stated in the Letter, the terms of the Entrusted Loan Master Agreement, including the interest rate applicable, were agreed by the parties after arm's length negotiations having taken into account the prevailing market interest rates and practices. The Directors (excluding all independent non-executive Directors) consider that the interest rate under the Entrusted Loan Master Agreement is favourable to the Group and the provision of the entrusted loans to the Peking Founder Group could generate a higher return for the idle surplus cash of the Group. Due to the scarce investment opportunity under the current financial environment and taken into consideration the creditworthiness of the Peking Founder Group and its sound financial performance in the past, the Directors (excluding all independent non-executive Directors) consider that the entrusted loan arrangement will definitely bring in more value to the Shareholders as a whole by enhancing the monetary return of the Group's surplus funds generated from operations. Based on the above, the Directors (excluding all independent non-executive Directors) consider that the terms of the Entrusted Loan Master Agreement and the transactions contemplated therein are on normal commercial terms and are fair and reasonable though not in the ordinary and usual course of business of the Group but are in the interests of the Company and the Shareholders as a whole.

LETTER FROM KGI CAPITAL

We have considered the followings:

- (i) the interest rate of the short-term loans to be provided by the Group to the Peking Founder Group pursuant to the Entrusted Loan Master Agreement will be higher than the benchmark RMB lending rate for loan period of six months offered by PBOC since it will be determined with reference to the prevailing benchmark RMB lending rate for loan period of six months offered by PBOC plus 10% of such rate. In addition, according to the official website of PBOC, we note that the annual benchmark RMB lending rate of short-term loans (for loan period of six months or less) offered by PBOC is 4.86% as at the Latest Practicable Date; therefore, for illustration purpose only, the interest rate of the entrusted loans pursuant to the Entrusted Loan Master Agreement would be 5.346% per annum, which is substantially higher than the annual interest rate of time deposit for a period of six months of 1.98% offered by PBOC as at the Latest Practicable Date. Moreover, according to the annual report of the Company for the year ended 31 December 2008, we note that the interest rates of the unsecured bank loan of the Group of a total sum of approximately HK\$31.9 million as at 31 December 2008 ranged from 0.001% to 5.25% per annum, which are considered to be lower than the estimated interest rate of the entrusted loans pursuant to the Entrusted Loan Master Agreement. Furthermore, as confirmed by the Directors, the interest rates of the unsecured bank loans of the Group of approximately HK\$50.0 million as at 30 June 2009 ranged from 0.001% to 5.841% per annum, which are considered to be comparable to the estimated interest rate of the entrusted loans pursuant to the Entrusted Loan Master Agreement. Therefore, based on the above, we concur with the Directors' views that the interest rate of the entrusted loans pursuant to the Entrusted Loan Master Agreement is in the interests of the Company and the Shareholders as a whole and the provision of the entrusted loans to the Peking Founder Group could generate a relatively higher return for the idle surplus cash of the Group;
- (ii) as confirmed by the Directors and as noted from the Annual Reports, the unsecured bank loans of the Group of approximately HK\$10.7 million as at 31 December 2007 and of approximately HK\$31.9 million as at 31 December 2008 were guaranteed by Peking Founder. In addition, as at 31 December 2008, the Peking Founder Group provided guarantees for banking facilities given by the PRC banks to the Group of approximately HK\$214.1 million which were utilized to the extent of approximately HK\$66.5 million. Moreover, the Directors confirmed that the unsecured bank loans of the Group as at 30 June 2009 in the amount of approximately HK\$50.0 million were guaranteed by Peking Founder. As such, we concur with the Directors' views that the provision of the entrusted loans from the Group to the Peking Founder Group under the Entrusted Loan Master Agreement would help to substantiate and maintain the good relationship between the Peking Founder Group and the Group through this mutual support arrangement in the future; and

LETTER FROM KGI CAPITAL

- (iii) we note that the entrusted loans under the Entrusted Loan Master Agreement will be unsecured and no collateral is provided by Peking Founder to the Company. However, we have reviewed the financial information of Peking Founder provided by the Company and we note that the combined net asset value of Peking Founder as at 31 December 2008 was substantially greater than each of the Proposed Annual Caps for the entrusted loans under the Entrusted Loan Master Agreement. In addition, based on the information released on www.ChinaBond.com.cn (中國債券信息網) in connection with a recent issue of short-term bonds (短期融資券) of RMB1.5 billion by Peking Founder in 2009 mainly for additional general working capital of Peking Founder, we note that the rating of the credit of the Peking Founder Group in respect of the short-term bonds was classified as A-1, representing the highest class in this regard.

In view of the above, we concur with the Directors' views that the entering into the Entrusted Loan Master Agreement is in the interests of the Company and the Shareholders as a whole.

Major terms of the Entrusted Loan Master Agreement

We have reviewed the Entrusted Loan Master Agreement provided by the Company and the major terms of the Entrusted Loan Master Agreement as stated in the Letter. We have taken into consideration of the following aspects in order to consider the fairness and reasonableness of the terms of the Entrusted Loan Master Agreement:

- (i) the Entrusted Loan Master Agreement shall take immediate effect after satisfaction of the conditions as set out in the paragraph headed "Conditions" in the Letter and shall continue for a period up to 31 December 2011;
- (ii) the entrusted loans are repayable within six months from the date of drawing of the relevant entrusted loan. We note that, if the Peking Founder Group fails to repay the outstanding amount under the relevant entrusted loan agreements, the Peking Founder Group shall be liable to pay, on a daily basis, a default interest at the rate of 0.02% of the total outstanding loan amount, until all of the principal amount, the interests together with other applicable charges and/or fees are fully repaid, which we consider such terms to be in the interests of the Company and the Shareholders as a whole;
- (iii) if any of the following matters arises, the entrusted loans are repayable forthwith, unless otherwise waived by the Company in writing:
1. the Peking Founder Group provides false balance sheets, profit and loss statements and other financial statements or provides such statements which withhold material facts;
 2. the representations and warranties and undertakings made and given by Peking Founder under the Entrusted Loan Master Agreement or those made and given by the borrower pursuant to the relevant entrusted loan agreement proves to be untrue or misleading;
 3. in the reasonable opinion of the Company, there has been a serious deterioration in the operating and financial position of Peking Founder or of the borrower pursuant to the relevant entrusted loan agreement;

LETTER FROM KGI CAPITAL

4. Peking Founder or the borrower pursuant to the relevant entrusted loan agreement is in breach of its obligations as borrower or guarantor under any other loan agreements;
5. Peking Founder or the borrower pursuant to the relevant entrusted loan agreement fails to make a repayment arrangement or debt restructuring plan to the satisfaction of the trustee when it is undergoing a merger, split or share reform;
6. Peking Founder or the borrower pursuant to the relevant entrusted loan agreement is insolvent, dissolved, closed down, revoked, suspended and deregistered;
7. Peking Founder ceases to be a controlling shareholder (as defined in the Listing Rules) of the Company; or
8. Peking Founder fails to honour its undertaking or other obligations given under the Entrusted Loan Master Agreement.

We thus consider the abovementioned provisions in connection with events of default are in the interests of the Company and the Shareholders as a whole; and

- (iv) the interest rate of the entrusted loans under the Entrusted Loan Master Agreement is considered to be in the interests of the Company and the Shareholders as a whole and the provision of the entrusted loans to the Peking Founder Group pursuant to the Entrusted Loan Master Agreement is expected to generate a relatively higher return for the idle surplus cash of the Group as discussed in the above paragraph headed “Background of and reasons for entering into the Entrusted Loan Master Agreement”.

Having considered the above, we are of the opinion that the terms of the Entrusted Loan Master Agreement are fair and reasonable so far the interests of the Company and the Shareholders as a whole are concerned.

The Proposed Annual Caps

The Proposed Annual Caps for the entrusted loans under the Entrusted Loan Master Agreement (representing the maximum balance of the principal and interests of the relevant entrusted loans) is RMB175,000,000, RMB181,125,000 and RMB187,464,000 respectively. As stated in the Letter, the Proposed Annual Caps are determined based on the Group’s average cash and cash equivalents balance as at 31 December for each of the three financial years ended 31 December 2008 which was approximately HK\$274,106,000. After deducting the average total quarterly selling and administrative expenses of the Group of approximately HK\$77,760,000, the average excess of cash and cash equivalents balance of the Group would amount to approximately HK\$196,346,000 (equivalent to approximately RMB173,079,000). It is expected that there will be a 3.5% annual increase in the Group’s net asset value and therefore the Company intends to have a 3.5% year-to-year increase for the proposed annual caps for each of the two financial years ending 31 December 2011.

LETTER FROM KGI CAPITAL

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

- (i) we have obtained the basis of determination of the Proposed Annual Caps provided by the Company and we have reviewed the audited consolidated balance sheets and audited consolidated income statements of the Group for each of the three financial years ended 31 December 2008 as stated in the Annual Reports, we note the historical values in respect of the cash and cash equivalents balance of the Group amounted to approximately HK\$230.1 million, approximately HK\$314.9 million and approximately HK\$277.4 million as at 31 December 2006, 2007 and 2008 respectively. Therefore, the Group's year-end average cash and cash equivalents balance for the three financial years ended 31 December 2008 was approximately HK\$274.1 million. As confirmed by the Directors, the average total quarterly selling and administrative expenses of the Group of approximately HK\$77.8 million is the minimum amount which allows the Group to maintain its normal operations for a quarter in the circumstance that no revenue would be generated by the Group during the quarter. As such, after deducting the average total quarterly selling and administrative expenses of the Group of approximately HK\$77.8 million, the average excess of cash and cash equivalents balance of the Group would amount to approximately HK\$196.3 million (equivalent to approximately RMB173.1 million);
- (ii) we understand from the Directors that the abovementioned average excess of cash and cash equivalents balance of the Group amounting to approximately HK\$196.3 million (equivalent to approximately RMB173.1 million) is the surplus cash which is available for enhancing the monetary return of the Group; and
- (iii) based on the proposed annual cap of RMB175 million for the financial year ending 31 December 2009, the Company has proposed an annual growth rate of 3.5% to project the proposed annual caps under the Entrusted Loan Master Agreement for each of the two financial years ending 31 December 2011. As confirmed by the Directors, the projected growth rate of 3.5% was based on the average growth rate in the consolidated net asset value of the Group during 2005 to 2008. We have reviewed the respective annual reports of the Group during the abovementioned period and noted that the simple average of the annual growth rates of the Group's consolidated net asset value (excluding the minority interests of the Group) as at 31 December during 2005 to 2008 was approximately 3.5%. Furthermore, according to statistics published by the Ministry of Industry and Information Technology of the People's Republic of China in 2009, the revenues in the PRC software market had increased by approximately 29.8% and approximately 23.5% for the year 2008 and for the four months ended 30 April 2009 when compared with the year 2007 and the corresponding period in 2008 respectively. Since the Group is principally engaged in software development and system integration relating to the media industry and non-media industries relating to financial institutions, commercial enterprises and government departments in the PRC, the Directors believe that the Group will be benefited from the anticipated growing of the PRC software market, and we concur with the Directors' views in this regard. Based on the above, we consider it is justifiable to propose an average annual growth factor of 3.5% to the proposed annual caps under the Entrusted Loan Master Agreement for each of the two financial years ending 31 December 2011.

Based on the above, we are of the view that the Proposed Annual Caps are reasonably determined.

LETTER FROM KGI CAPITAL

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

RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the terms of the Entrusted Loan Master Agreement are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole and the Proposed Annual Caps are fair and reasonable so far as the interests of the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the Entrusted Loan Master Agreement (including the Proposed 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. INDEBTEDNESS

At the close of business on 30 June 2009, being the latest practicable date for the purpose of the indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$100.3 million which comprised unsecured bank loans of approximately HK\$50.0 million and secured trust receipt loans of approximately HK\$50.3 million. The unsecured bank loans were guaranteed by Peking Founder. The secured trust receipt loans were secured by certain of the Group's investment properties, land and buildings and bank deposits of approximately HK\$25.4 million, HK\$28.8 million and HK\$15.2 million, respectively.

Save as the above and apart from intra-group liabilities, the Group did not have, at the close of business on 30 June 2009, any debt securities issued and outstanding or agreed to be issued, bank borrowings or other similar indebtedness, mortgages and charges, guarantees or other material contingent liabilities.

2. WORKING CAPITAL

After due and careful consideration, the Directors are of the opinion that, taking into account the Group's internal resources and in the absence of unforeseen circumstances, the Group will have sufficient working capital for its present requirements for the period of twelve months from the date of this circular.

3. 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 2008, being the date to which the latest published audited consolidated accounts of the Company were made up.

4. PROSPECT

China is still in a stage of rapid development. With its huge domestic market size, enormous investment potential and the ever-improving macro economic control measures, the overall booming trend of China's economy will not change in the long term. However, in the short term, especially in 2009, China's economy will continue to be impacted by the financial tsunami, and there is a risk that the impact may deepen further. The Group has devised various management strategies to open up more sales channels and strengthen its research and development capabilities for broadening its revenue base.

Although the macro economy will still face significant uncertainties in the short term, the Central Government and local government of China at various levels have successively initiated measures to expand domestic demand and boost economic growth in response to the impact of the financial tsunami, and these measures are beneficial to revitalizing economy and shortening the economic revival period.

In addition, the relatively relaxed credit environment at present and a relaxation of restrained conditions recently may stimulate the domestic demand for media and non-media information products. Under the prevailing situation where opportunities and challenges coexist, the Group will continue to adopt a prudent operating strategy, a sound financial strategy and a pro-active business strategy to realize a sustainable and healthy development of the Group.

5. FINANCIAL EFFECT OF THE ENTRUSTED LOAN MASTER AGREEMENT

The Group recorded an audited consolidated profit attributable to the equity holders of the Company of approximately HK\$23.5 million for the year ended 31 December 2008. Assuming that HK\$198.5 million (or approximately, RMB175 million, being the cap amount for the year ended 31 December 2009) were fully utilized according to the terms of the Entrusted Loan Master Agreement during the year ended 31 December 2008, the Group's consolidated profit attributable to the equity holders would have been increased by approximately HK\$9.9 million for the year ended 31 December 2008.

Taking into account this interest income which could derive from the entrusted loans as contemplated under the Entrusted Loan Master Agreement, the Company expects to have positive effect on its earnings as well as earning per share for the Shareholders.

Cash flow of the Group was mainly generated from business operation. As at 31 December 2008, cash and cash equivalents of approximately HK\$277.4 million was recorded when compared with the average of approximately HK\$274.1 million for the three years ended 31 December 2008.

On the assets side, the Group's current assets will be inflated by increase in other receivables through granting of the entrusted loans under the Entrusted Loan Master Agreement. However, the net effect of such increase in other receivables will be offset by corresponding decrease in cash balance. The Directors are of the view that the net current assets of the Group will not be materially affected by entering into the entrusted loans as contemplated under the Entrusted Loan Master Agreement.

As the funding for the entrusted loans under the Entrusted Loan Master Agreement would be derived from cash generated from the Group, the Directors consider that there would not be any material liability nor contingent liability arising from entering into the relevant entrusted loans as contemplated under the Entrusted Loan Master Agreement.

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 interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Listing Rules, were as follows:

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

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

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

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

Name of Director	Number of share options held	Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$
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

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

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

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2008, 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.

As at the Latest Practicable Date, none of the Directors and his/her associate had any interests which competed or was likely to compete, either directly or indirectly, with the Group's business.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, other than a Director or chief executive of the Company, the following persons had interests or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

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)	367,179,610	32.49%
Peking Founder	367,179,610	32.49%

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

* For identification purpose only

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

4. DIRECTORS' SERVICE CONTRACTS

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

5. EXPERT

KGI Capital is a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under 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 2008, 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. LITIGATION AND CLAIMS

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.

7. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates had any personal interests in companies engaged in businesses, which compete or may compete with the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder).

8. MATERIAL CONTRACTS

The Entrusted Loan Master Agreement is the only material contracts (not being contracts entered into in the ordinary course of business) entered into by the members of the Group within two years immediately preceding the date of the Announcement and up to and including the Latest Practicable Date.

9. GENERAL

The company secretary of the Company is Ms Tang Yuk Bo, Yvonne, ACS, ACIS..

The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal place of business in Hong Kong is situated at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong.

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

10. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong during normal business hours on any weekday (public holidays excluded) from the date of this circular up to and including 20 August 2009, the date of the SGM:

- (i) the bye-laws of the Company;
- (ii) the annual reports of the Company for the two years ending 31 December 2008;
- (iii) the Entrusted Loan Master Agreement;
- (iv) the letter from the Independent Board Committee, the text of which is set out on page 10 of this circular;
- (v) the letter from KGI Capital dated 4 August 2009, the text of which is set out on pages 11 to 19 of this circular; and
- (vi) the letter of consent from KGI Capital referred to in the paragraph headed "Expert" above.

NOTICE OF SGM



(Incorporated in Bermuda with limited liability)

(Stock Code: 00418)

NOTICE IS HEREBY GIVEN that a special general meeting of Founder Holdings Limited (the “Company”) will be held at 10:30 a.m. on Thursday, 20 August 2009 at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution:

ORDINARY RESOLUTION

“**THAT:**

- (a) the Entrusted Loan Master Agreement (as defined in the Circular) in relation to the provision of entrusted loans to the Peking Founder Group (as defined in the Circular) by the Group, and all the transactions contemplated under the Entrusted Loan Master Agreement be and are hereby approved;
- (b) the proposed annual caps in relation to the transactions contemplated under the Entrusted Loan Master Agreement for the three years ending 31 December 2011, be and are hereby approved; and
- (c) any Director be and is hereby authorised to do all such acts or things, as he/she may in his/her absolute discretion consider necessary or desirable, to give effect to the Entrusted Loan Master Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 4 August 2009

* *For identification purpose only*

NOTICE OF SGM

Notes:

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