
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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**(1) MAJOR AND CONNECTED TRANSACTION:
DISPOSAL OF THE ENTIRE EQUITY INTEREST IN
BEIJING FOUNDER ORDER COMPUTER SYSTEMS CO. LTD.; AND
(2) CONTINUING CONNECTED TRANSACTIONS:
THE MASTER SALES 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 4 to 12 of this circular. A letter from the Independent Board Committee (as defined herein) of the Company is set out on page 13 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 14 to 25 of this circular.

A notice convening the special general meeting to be held at 11:30 a.m. on Tuesday, 3 August 2010 at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong is set out on page 33 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.

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DEFINITIONS

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

“Announcement”	the announcement made by the Company dated 24 June 2010;
“associates(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Business Day(s)”	means day(s) when banks are open for business in Hong Kong which includes Saturdays;
“Company”	Founder Holdings Limited (方正控股有限公司*), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
“Completion”	completion of the Disposal Agreement;
“Completion Date”	means the seventh Business Day after all Conditions Precedent are fulfilled or waived pursuant to the Agreement or such later date as the Purchaser and the Vendor may agree in writing;
“Conditions Precedent”	the conditions precedent to the Disposal as provided under the Disposal Agreement;
“Consideration”	the consideration under the Disposal Agreement, being HK\$47.5 million;
“Continuing Connected Transactions”	the transactions contemplated under the Master Sales Agreement;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Disposal”	means the disposal by Sparkling Idea and the purchase by Founder International of the entire equity interest in Founder Order pursuant to the Disposal Agreement;
“Disposal Agreement”	the conditional sale and purchase agreement entered into between Sparkling Idea and Founder International dated 24 June 2010 in relation to the Disposal;

DEFINITIONS

“Founder International”	Founder International Co., Ltd. (方正國際軟件有限公司), a joint venture company established in the PRC and is owned as to 37.36% by Peking Founder;
“Founder Order”	北京方正奧德計算機系統有限公司 (Beijing Founder Order Computer Systems Co. Ltd.*), a wholly foreign owned enterprise established in the PRC and a wholly-owned subsidiary of Sparkling Idea;
“Group”	the Company and its subsidiaries;
“HK\$”	means Hong Kong dollars;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent board committee of the Company comprising all of the three independent non-executive Directors, namely Mr Li Fat Chung, Dr Hu Hung Lick, Henry and Ms Wong Lam Kit Yee formed for the purpose of considering the terms of the Disposal Agreement and the Master Sales Agreement and its annual caps and advising and making recommendations to the Independent Shareholders as to how to vote at the SGM;
“Independent Shareholders”	the shareholders of the Company other than Peking Founder and its associates;
“KGI Capital”	KGI Capital Asia Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposal Agreement and the Master Sales Agreement and its annual caps;
“Latest Practicable Date”	9 July 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;

DEFINITIONS

“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“Master Sales Agreement”	means the agreement to be entered between the Company and Peking Founder in relation to the sales of information products by the Group to 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 liabilities, the controlling shareholder of the Company, which holds approximately 32.49% of the issued share capital of the Company;
“Peking Founder Group”	Peking Founder and its subsidiaries;
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region and Taiwan for the purpose of this circular;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGM”	the special general meeting of the Company to be convened and held for the Independent Shareholders to consider and approve (among other things) the Disposal Agreement and the Master Sales Agreement and its annual caps;
“Shareholder(s)”	holder(s) of ordinary share(s) of HK\$0.1 each in the issued share capital of the Company
“Sparkling Idea”	Sparkling Idea Limited, an indirect wholly-owned subsidiary of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meaning ascribed to it under the Listing Rules; and
“%”	per cent.

For illustrative purpose only, HK\$ is converted into RMB at an exchange rate of HK\$1 = RMB0.8768 in this circular.

* *For identification purpose only*

LETTER FROM THE BOARD



FOUNDER HOLDINGS LIMITED 方正控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00418)

Executive Directors:

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

14 July 2010

To the Shareholders

Dear Sir or Madam,

**(1) MAJOR AND CONNECTED TRANSACTION:
DISPOSAL OF THE ENTIRE EQUITY INTEREST IN
BEIJING FOUNDER ORDER COMPUTER SYSTEMS CO. LTD.; AND
(2) CONTINUING CONNECTED TRANSACTIONS:
THE MASTER SALES AGREEMENT**

1. INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the transactions contemplated under the Disposal Agreement and the Master Sales Agreement.

On 24 June 2010, Sparkling Idea, an indirect wholly-owned subsidiary of the Company, entered into the Disposal Agreement with Founder International, pursuant to which Sparkling Idea conditionally agreed to sell, and Founder International conditionally agreed to purchase, the entire equity interest in Founder Order for a consideration of HK\$47.5 million.

Founder Order is mainly engaged in software development and systems integration for non-media industry in the PRC.

LETTER FROM THE BOARD

2. THE DISPOSAL AGREEMENT

Date:

24 June 2010

Parties:

- (1) Sparkling Idea as vendor; and
- (2) Founder International as purchaser.

As at the Latest Practicable Date, Peking Founder, the controlling shareholder of the Company, held 367,179,610 ordinary shares of the Company, representing approximately 32.49% of the total issued share capital of the Company. As such, Founder International is a connected person of the Company under the Listing Rules by virtue of its being an associate of Peking Founder.

Assets to be disposed:

Pursuant to the Disposal Agreement, Sparkling Idea conditionally agreed to sell, and Founder International conditionally agreed to purchase the entire equity interest in Founder Order. The Consideration is HK\$47.5 million, taking into account various relevant factors including the audited net assets of Founder Order as at 31 December 2009 and waiver of all outstanding indebtedness due and owing by Founder Order to the Company and its subsidiaries as at 31 May 2010.

Conditions Precedent as contemplated under the Disposal Agreement:

Completion of the Disposal as contemplated under the Disposal Agreement is subject to and conditional upon the fulfillment or otherwise waiver of, among other things, the following conditions precedent on or before 31 December 2010 (or such other date as the parties to the Disposal Agreement may agree in writing):

- (a) the passing of a resolution by Sparkling Idea as shareholder of Founder Order approving the Disposal and all other documents and transactions incidental to and as contemplated under the Disposal Agreement;
- (b) the passing of a resolution of the board of directors of Founder Order approving the Disposal and all other documents and transactions incidental to and as contemplated under the Disposal Agreement;
- (c) the passing of a resolution of the board of directors of Founder International approving the Disposal and all other documents and transactions incidental to and as contemplated under the Disposal Agreement;

LETTER FROM THE BOARD

- (d) the passing of a resolution of the board of directors of Sparkling Idea approving the Disposal and all other documents and transactions incidental to and as contemplated under the Disposal Agreement;
- (e) the execution of the deed of waiver in respect of all outstanding indebtedness due and owing by Founder Order to the Company and its subsidiaries in the aggregate amount of approximately HK\$3.7 million as at 31 May 2010;
- (f) the obtaining of all necessary approvals from the relevant authorities in the PRC in respect of the sale and purchase of the entire equity interest in Founder Order pursuant to the Disposal Agreement; and
- (g) to the extent required by the Listing Rules, the effective passing of all necessary resolutions by the Independent Shareholders (who shall have no interest in the Disposal Agreement) at the SGM of the Company by poll, approving the transactions contemplated under (i) the Disposal Agreement; and (ii) the Master Sales Agreement and its annual caps pursuant to the requirements of the Listing Rules and the Bye-laws of the Company.

Sparkling Idea and Founder International may, together in writing, at any time relinquish or waive the fulfillment of (all or part of) the Conditions Precedent set out in paragraphs (a) to (f) above. The Conditions Precedent set out in paragraph (g) above shall not be relinquished or waived in any event.

In the event that not all of the Conditions Precedent have been fulfilled or waived on or before 31 December 2010 (or such later date as agreed in writing between the parties to the Disposal Agreement), the Disposal Agreement and the transactions as contemplated under the Disposal Agreement shall be forthwith terminated and be of no effect. Completion shall take place on or before the seventh business day (or such other date as Sparkling Idea and Founder International may agree in writing) after the Conditions Precedent have been fulfilled (or waived, where applicable) in accordance with the Disposal Agreement.

Completion:

Subject to fulfillment or waiver (if applicable) of the Conditions Precedent to the Disposal Agreement, Completion shall take place on Completion Date.

Consideration:

The Consideration for the Disposal is HK\$47.5 million. The Consideration has been arrived at after arm's length negotiations between Sparkling Idea and Founder International after taking into account various relevant factors including (1) audited net assets of Founder Order in the amount of approximately HK\$43.8 million as at 31 December 2009; and (2) waiver of all outstanding indebtedness due and owing by Founder Order to the Company and its subsidiaries in the aggregate amount of approximately HK\$3.7 million as at 31 May 2010.

LETTER FROM THE BOARD

The Consideration payable by Founder International to Sparkling Idea for the Disposal shall be satisfied entirely by cash, which shall be payable in the following manner:

- HK\$5 million upon the passing by poll of the necessary resolutions by the Independent Shareholders at the SGM of the Company; and
- HK\$42.5 million upon Completion.

Reasons for and benefits of the disposal:

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

Founder Order is engaged in software development and the systems integration for non-media industry in the PRC and has incurred losses for the year ended 31 December 2009 and the four months ended 30 April 2010. The Directors consider that the Disposal represents a good opportunity for the Group to realise its investment in Founder Order at a fair and reasonable price. In addition, the Board considers that the disposal of a loss-incurring subsidiary provides the Group with an opportunity to streamline its business model and enhance profitability. After Completion, the Group will no longer be required to provide additional resources for the operations of Founder Order, so that the Group may reallocate its resources to other investments which may generate higher returns for the Group.

As the result of the Disposal, the Directors expect that the Group would record an unaudited gain on the disposal of approximately HK\$13.2 million. Given that the Consideration is based on various relevant factors including audited net assets of Founder Order as at 31 December 2009 and waiver of all outstanding indebtedness due and owing by Founder Order to the Company and its subsidiaries as at 31 May 2010, any operation loss of Founder Order after such date would give rise to a gain on disposal for the Group. The gain on disposal is calculated by taking into account the unaudited loss of Founder Order for the four months ended 30 April 2010, the waiver of all outstanding indebtedness due and owing by Founder Order to the Company and its subsidiaries as at 31 May 2010, and the estimated professional expenses in connection with the Disposal. The sales proceeds will be used by the Group for the development of its existing media business and general working capital purposes.

Before Completion, Founder Order is an indirect wholly-owned subsidiary of the Company. After Completion, Founder Order will cease to be a subsidiary of the Company, and the Company will no longer have any interest in Founder Order.

Accordingly, the Directors (excluding the independent non-executive Directors whose views will be based on the opinion of the independent financial adviser) consider that it would be in the interest of the Company and its shareholders as a whole to dispose of the entire equity interest in Founder Order and to seek alternate uses of resources which would offer better returns to the Shareholders by offering better development potentials.

LETTER FROM THE BOARD

In view of the above and having considered the terms of the Disposal Agreement, the Directors (excluding the independent non-executive Directors whose view will be based on the opinion of an independent financial adviser) consider that the Disposal is (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

Information on Founder International:

Founder International was incorporated on 4 August 2009 in the PRC and is mainly engaged in the business of software development.

As of the Latest Practicable Date, Peking Founder held approximately 37.36% of the issued share capital of Founder International. Although Peking Founder currently holds less than 50% of the issued share capital of Founder International, Peking Founder has controlled the composition of the board of directors of Founder International. Hence, Founder International is treated as a subsidiary of Peking Founder and its financial statement is consolidated in the consolidated accounts of Peking Founder. 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.

Information on Founder Order:

Founder Order, a wholly-owned subsidiary of Sparkling Idea, was established in the PRC in 1999. Founder Order is mainly engaged in software development and systems integration for non-media industry in the PRC.

The summary financial information of the Founder Order for the year ended 31 December 2008, 2009 and the four months ended 30 April 2010, prepared in accordance with Hong Kong Financial Reporting Standards, are set out as follows:

	For the four months ended 30 April 2010	Year ended 31 December 2009	Year ended 31 December 2008
	<i>Unaudited</i>	<i>Audited</i>	<i>Audited</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) before taxation	(13,982)	(13,107)	9,447
Profit/(loss) after taxation	(13,982)	(13,107)	9,447

Founder Order's audited net assets value amounted to approximately HK\$43.8 million as at 31 December 2009.

LETTER FROM THE BOARD

3. LISTING RULES REQUIREMENTS

As the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal are 25% or more but less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and consequently is subject to notification, publication, and shareholders' approval requirements under Chapter 14 of the Listing Rules. In addition, as at the Latest Practicable Date, Founder International was owned as to approximately 37.36% by Peking Founder, the controlling shareholder of the Company with an equity interest of approximately 32.49% in the Company. As such, Founder International is a connected person of the Company under the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Peking Founder and its associates shall abstain from voting at the SGM in respect of the resolution to approve the Disposal Agreement.

4. CONTINUING CONNECTED TRANSACTIONS

The Directors noted that the Group has been supplying certain information products (including but not limited to desktop computers, laptop computers, servers and internet products) to Founder Order on normal commercial terms on an ongoing basis.

After Completion, Founder Order will become a subsidiary of Peking Founder, a connected person of the Company. Therefore, the ongoing sales of information products by the Group to Founder Order will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

In light of the above, the Master Sales Agreement will be entered into between Peking Founder and the Company in order to govern and specify the terms adopted and the annual caps for the total amount of the aforesaid ongoing transactions for the three years ending 31 December 2012. The proposed annual caps is determined based on the Company's estimation of the sales for the three years ending 31 December 2012 with reference to the historical sales pattern for the three financial years ended 31 December 2009 and the sales for the four months ended 30 April 2010. The term of the Master Sales Agreement will become effective from the date of execution upon approval by the Independent Shareholders in SGM until 31 December 2012. Although the Master Sales Agreement has not yet been executed, the terms thereof have been finalised and all material terms are disclosed in this circular.

5. THE MASTER SALES AGREEMENT

Pursuant to the Master Sales Agreement, the Group will provide information products to the Peking Founder Group at the price based on the rack rate payable by the Group to the suppliers, exclusive of any freight charges and tax payable, at the time of purchase of the relevant information products plus a commission at 0.3% which is determined with reference to the level of administrative and logistics effort. Further, the Peking Founder Group should bear all the freight charges, taxes and other relevant expenses in relation to the information products which the Group purchased from the suppliers.

LETTER FROM THE BOARD

Historical values and annual caps:

	Year ended 31 December 2009 <i>RMB'000</i>	Four months ended 30 April 2010 <i>RMB'000</i>	Year ending 31 December 2010 <i>RMB'000</i>	Year ending 31 December 2011 <i>RMB'000</i>	Year ending 31 December 2012 <i>RMB'000</i>
Actual sales	81,057	28,246	N/A	N/A	N/A
Annual caps	N/A	N/A	170,000	190,400	213,248

Founder Order has been purchasing information products from the Group for use in its operation and business. As demonstrated in the above table, there has been steady growth in the transaction value for the Group's sales of products to Founder Order.

Reasons for and benefits of Master Sales Agreement:

The Directors believe that securing a long-term business relationship with customers such as Founder Order and other subsidiaries of Peking Founder can effectively enhance the Group's financial performance. The Directors also consider that the entering into the Master Sales Agreement is (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

Listing Rules Requirements:

As one of the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules is 25% or more and the annual caps exceed HK\$10 million, the Master Sales Agreement and the transactions contemplated thereunder constitute non-exempt continuing connected transactions for the Company under Rules 14A.16(5) and 14A.17 of the Listing Rules and are subject to the annual review, reporting and announcement requirements under Rules 14A.37 to 14A.41, 14A.45 and 14A.47 of the Listing Rules. In addition, both the Master Sales Agreement and its annual caps are subject to the approval by the Independent Shareholders pursuant to Rules 14A.17 and 14A.52 of the Listing Rules.

The Master Sales Agreement and its annual caps will be subject to the approval by the Independent Shareholders by way of poll at the SGM. Peking Founder and its associates shall abstain from voting at the SGM in respect of the resolution to approve the Master Sales Agreement and its annual caps.

LETTER FROM THE BOARD

6. SGM

A notice convening the SGM to be held at 11:30 a.m., on Tuesday, 3 August 2010 at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong is set out on page 33 of this circular for the purpose of considering and, if thought fit, passing the ordinary resolution in relation to (i) the Disposal Agreement; and (ii) the Master Sales Agreement and its annual caps. Peking Founder, being the controlling shareholder of the Company, together with its associates, and all parties involved in or interested in the Disposal Agreement and the Master Sales Agreement are required to abstain from voting with respect to the resolution for approving the Disposal and the Master Sales Agreement and its annual caps.

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, are required to abstain from voting at the SGM in respect of the ordinary resolution.

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

7. RECOMMENDATION

The Independent Board Committee, which comprises all three independent non-executive Directors, has been established to advise the Independent Shareholders in connection with the terms of the transactions contemplated under the Disposal Agreement and the Master Sales Agreement (including the proposed annual caps for the three years ending 31 December 2012).

KGI Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders respectively on the Disposal Agreement and the Master Sales Agreement (including the proposed annual caps for the three years ending 31 December 2012).

The Independent Board Committee, having taken into account the advice of KGI Capital, is of the view that the transactions contemplated under the Disposal Agreement and the Master Sales Agreement are on normal commercial terms, the terms of the transactions contemplated under the Disposal Agreement and the Master Sales Agreement and the proposed annual caps for the three years ending 31 December 2012 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.

Save as being as Directors and their respective interest in the Shares and share options in the Company and its associated corporation, none of the Directors has any material interest in the Disposal Agreement and the Master Sales Agreement.

LETTER FROM THE BOARD

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

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



14 July 2010

To the Independent Shareholders

Dear Sir or Madam,

**(1) MAJOR AND CONNECTED TRANSACTION:
DISPOSAL OF THE ENTIRE EQUITY INTEREST IN
BEIJING FOUNDER ORDER COMPUTER SYSTEMS CO. LTD.; AND
(2) CONTINUING CONNECTED TRANSACTIONS:
THE MASTER SALES AGREEMENT**

We refer to the circular dated 14 July 2010 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 Disposal Agreement and the Master Sales Agreement (including the proposed annual caps for the three years ending 31 December 2012) 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 Disposal Agreement and the Master Sales 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 Disposal Agreement and the Master Sales Agreement (including the proposed annual caps for the three years ending 31 December 2012).

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 12 of the Circular, and the letter from KGI Capital to the Independent Board Committee containing its advice in respect of the Disposal Agreement and the Master Sales Agreement (including the proposed annual caps for the three years ending 31 December 2012), as set out on pages 14 to 25 of the Circular.

Having taken into account of the principal factors and reasons considered by KGI Capital and its conclusion and advice, we consider that transactions contemplated under the Disposal Agreement and the Master Sales Agreement are on normal commercial terms, the terms of the transactions contemplated under the Disposal Agreement and the Master Sales Agreement and the proposed annual caps for the three years ending 31 December 2012 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 Disposal Agreement and the Master Sales Agreement and the proposed annual caps of such transactions for the three years ending 31 December 2012.

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

41/F, Central Plaza
18 Harbour Road
Wanchai, Hong Kong

Tel: 2878 6888

Fax: 2970 0080

14 July 2010

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,

**(1) MAJOR AND CONNECTED TRANSACTION:
DISPOSAL OF THE ENTIRE EQUITY INTEREST IN
BEIJING FOUNDER ORDER COMPUTER SYSTEMS CO. LTD.; AND
(2) CONTINUING CONNECTED TRANSACTIONS:
THE MASTER SALES 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 Disposal Agreement and the Master Sales Agreement and the proposed annual caps for the transactions under the Master Sales Agreement for the three financial years ending 31 December 2012 (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 14 July 2010 (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. Unless otherwise specified, translation of RMB into HK\$ in this letter is based on the exchange rate of RMB0.8768 to HK\$1.

LETTER FROM KGI CAPITAL

The Disposal

As referred to in the Letter, on 24 June 2010, Sparkling Idea, an indirect wholly-owned subsidiary of the Company, entered into the Disposal Agreement with Founder International, pursuant to which Sparkling Idea conditionally agreed to sell, and Founder International conditionally agreed to purchase, the entire equity interest in Founder Order for a consideration of HK\$47.5 million.

As the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal exceed 25% but are less than 75%, the Disposal constitutes a major transaction for the Company and is consequently subject to notification, publication and shareholders' approval requirements under Chapter 14 of the Listing Rules. In addition, as at the Latest Practicable Date, Founder International was owned as to approximately 37.36% by Peking Founder, the controlling shareholder of the Company with a shareholding interest of approximately 32.49% in the Company. As such, Founder International is a connected person of the Company under the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Continuing connected transactions

The Group has been supplying certain information products (including but not limited to desktop computers, laptop computers, servers and internet products) to Founder Order on normal commercial terms on an ongoing basis. The Directors confirm that after Completion, Founder Order will become a subsidiary of Peking Founder, a connected person of the Company. Therefore, the ongoing sales of information products by the Group to Founder Order will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

In light of the above, the Master Sales Agreement will be entered into between Peking Founder and the Company in order to govern and specify the terms adopted and the annual caps for the total amount of the aforesaid ongoing transactions for the three financial years ending 31 December 2012. As one of the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules exceeds 25% and the Proposed Annual Caps exceed HK\$10 million, the Master Sales Agreement (including the Proposed Annual Caps) and the transactions contemplated thereunder constitute non-exempt continuing connected transactions for the Company under the Listing Rules and are subject to the annual review, reporting and announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

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

LETTER FROM KGI CAPITAL

We, KGI Capital Asia Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Disposal Agreement, the Master Sales Agreement (including the Proposed Annual Caps) and the transactions contemplated under the Disposal Agreement and the Master Sales Agreement 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.

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, the 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, the 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 statements of intention of the Company, the 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, the 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, the Directors and management of the Company in connection with the Disposal, the transactions contemplated under the Master Sales Agreement and the Proposed Annual Caps and discussed with the management of the Company so as to assess the fairness and reasonableness of the terms of the Disposal Agreement, the Master Sales Agreement (including the Proposed Annual Caps) and the transactions contemplated under the Disposal Agreement and the Master Sales Agreement. Relevant information and documents included, among other things, the annual report of the Company for the year ended 31 December 2009 (the “**2009 Annual Report**”), the Disposal Agreement, the draft deed of waiver in respect of all outstanding indebtedness due and owing by Founder Order to the Company and its subsidiary(ies), the draft Master Sales Agreement, the accounts of Founder Order for the three financial years ended 31 December 2009, the unaudited management accounts of Founder Order for the four months ended 30 April 2010, certain internal financial information of the Group and the basis of determination of the Proposed Annual Caps. 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 Disposal Agreement, the Master Sales Agreement (including the Proposed Annual Caps) and the transactions contemplated under the Disposal Agreement and the Master Sales Agreement. 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 Order, Sparkling Idea, Peking Founder, Founder International, or their respective subsidiaries or associated companies. We have not studied, investigated nor verified the validity of all the legal aspects of, and procedural aspects for, the Disposal. We have neither investigated nor verified the title/ownership of the entire equity interest in Founder

LETTER FROM KGI CAPITAL

Order or the assets and liabilities of Founder Order disposed of, and the rights to transfer such assets and liabilities nor have we scrutinized the original documents to verify ownership or to verify any amendments which may not appear on the copies of the documents provided to us.

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 Disposal or entering into the Master Sales Agreement or 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 Disposal Agreement, the Master Sales Agreement (including the Proposed Annual Caps) and the transactions contemplated under the Disposal Agreement and the Master Sales Agreement, we have taken the following principal factors and reasons into consideration:

(I) THE DISPOSAL OF FOUNDER ORDER

As stated in the Letter, on 24 June 2010, Sparkling Idea, an indirect wholly-owned subsidiary of the Company, entered into the Disposal Agreement with Founder International, pursuant to which Sparkling Idea conditionally agreed to sell, and Founder International conditionally agreed to purchase, the entire equity interest in Founder Order for a consideration of HK\$47.5 million.

Information on the Group

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

Set out below is a summary of the audited consolidated financial information of the Group for the two years ended 31 December 2009 as extracted from the 2009 Annual Report:

	For the year ended 31 December 2009	For the year ended 31 December 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>
Revenue	1,912,093	1,285,617
Net profit after tax attributable to equity holders of the Company	23,155	23,535

LETTER FROM KGI CAPITAL

As shown in the table above, the Group recorded revenue of approximately HK\$1,912.1 million for the year ended 31 December 2009, representing an increase of approximately 48.7% as compared to that of the previous year. According to the 2009 Annual Report, the Group's turnover of the software development and systems integration for media sector for year 2009 increased by approximately 33.8% to approximately HK\$752.7 million while the turnover of the software development and systems integration for non-media sector for year 2009 increased significantly by approximately 61.0% to approximately HK\$1,159.2 million.

The Group reported a net profit attributable to equity holders of the Company for the year ended 31 December 2009 of approximately HK\$23.2 million, representing a decrease of approximately 1.3% as compared to a net profit attributable to equity holders of the Company of approximately HK\$23.5 million for the previous year. According to the 2009 Annual Report, the segment results for the software development and systems integration for media sector recorded a profit of approximately HK\$21.8 million for year 2009. However, despite the significant growth in turnover of the software development and systems integration for non-media sector in year 2009 as mentioned above, the results of such business segment recorded a loss of approximately HK\$7.7 million. As confirmed by the Directors, such loss in the business segment for the non-media sector was mainly due to intense competition and the resulting declining gross profit margin during the year 2009.

Information on Founder Order

Founder Order, a wholly-owned subsidiary of Sparkling Idea, was established in the PRC in 1999. Founder Order is mainly engaged in software development and systems integration for non-media industry in the PRC.

As stated in the Letter, the summary financial information of Founder Order for the two years ended 31 December 2009 and the four months ended 30 April 2010, prepared in accordance with Hong Kong Financial Reporting Standards, are set out as follows:

	For the four months ended 30 April 2010	For the year ended 31 December 2009	For the year ended 31 December 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Profit/(Loss) before taxation	(13,982)	(13,107)	9,447
Profit/(Loss) after taxation	(13,982)	(13,107)	9,447

According to the Directors, the loss of approximately HK\$13.1 million recorded by Founder Order for the year ended 31 December 2009 was mainly due to the intense competition in the systems integration for non-media industry in the PRC and the consequent decline in gross profit margin. The Directors further advised that apart from the intense competition, as the first quarter of each year is normally the slack season of systems integration industry in the PRC, Founder Order recorded an unaudited loss of approximately HK\$14.0 million for the first four months ended 30 April 2010.

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As stated in the Letter, the audited net assets value of Founder Order as at 31 December 2009 amounted to approximately HK\$43.8 million.

Reasons for the Disposal

As mentioned above, Founder Order is principally engaged in software development and systems integration for non-media industry in the PRC and has incurred losses for the year ended 31 December 2009 and the four months ended 30 April 2010. As stated in the Letter, the Directors consider that the Disposal represents a good opportunity for the Group to realise its investment in Founder Order at a fair and reasonable price. In addition, the Board considers that the disposal of a loss-making subsidiary provides the Group with an opportunity to streamline its business model and enhance profitability. As confirmed by the Directors, due to the increasingly intense competition in software development and systems integration for non-media industry in the PRC, the Group intends not to continue its business in such market segment. However, the Directors advise that the Group will retain the software development and systems integration for non-media industry in Hong Kong. After Completion, the Group will no longer be required to provide additional resources for the operations of Founder Order so that the Group may reallocate its resources to other investments which may generate higher returns for the Group.

Moreover, the Directors expect that the Group would record an unaudited gain on disposal of approximately HK\$13.2 million as a result of the Disposal. As confirmed by the Directors, the sales proceeds from the Disposal will be used by the Group for the development of its existing media business and general working capital purposes.

Accordingly, the Directors consider that it would be in the interests of the Company and the Shareholders as a whole to dispose of the entire equity interest in Founder Order and to seek alternate uses of resources which may offer better returns to the Shareholders by offering better development potentials.

As (i) there was continued loss-making operating and financial performance of Founder Order for the year ended 31 December 2009 and for the four months ended 30 April 2010; (ii) the Disposal provides an opportunity for the Group to realise its investment in Founder Order as well as streamline its business model; (iii) the Disposal would allow the Company to free up and reallocate its resources to other businesses of the Group; (iv) the Directors expect that an unaudited gain on disposal of approximately HK\$13.2 million will be recorded by the Group as a result of the Disposal; and (v) the proceeds from the Disposal could enhance the general working capital of the Group, we are of view that the entering into of the Disposal Agreement is in the interests of the Company and the Shareholders as a whole although the Disposal is not in the ordinary and usual course of business of the Company.

Principal terms of the Disposal Agreement

Assets to be disposed of

Pursuant to the Disposal Agreement, Sparkling Idea conditionally agreed to sell, and Founder International conditionally agreed to purchase, the entire equity interest in Founder Order at a consideration of HK\$47.5 million.

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Conditions

Completion of the Disposal as contemplated under the Disposal Agreement is subject to and conditional upon the fulfillment or otherwise waiver of, among other things, a number of conditions precedent on or before 31 December 2010 (or such other date as the parties to the Disposal Agreement may agree in writing). Such conditions are set out in the section headed “Conditions Precedent as contemplated under the Disposal Agreement” in the Letter.

Consideration and payment terms

As stated in the Letter, the Consideration for the Disposal is HK\$47.5 million. The Consideration has been arrived at after arm’s length negotiations between Sparkling Idea and Founder International after taking into account various relevant factors including (i) the audited net assets of Founder Order of approximately HK\$43.8 million as at 31 December 2009; and (ii) waiver of all outstanding indebtedness due and owing by Founder Order to the Company and its subsidiary(ies) in the aggregate amount of approximately HK\$3.7 million as at 31 May 2010.

The Consideration payable by Founder International to Sparkling Idea for the Disposal shall be satisfied entirely by cash, which shall be payable as to: (i) HK\$5 million upon the passing by poll of the necessary resolution(s) by the Independent Shareholders at the SGM; and (ii) HK\$42.5 million upon Completion.

The Directors consider that the terms of the Disposal Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

As Founder Order has recorded a loss for the year ended 31 December 2009, we consider that the price/earnings multiple might not be an appropriate method for valuing Founder Order and, on the other hand, we consider that valuing Founder Order with reference to its net asset value is justifiable. In order to assess the fairness and reasonableness of the Consideration, we have considered the following aspects:

- (i) the Directors confirm that the Consideration has been arrived at after arm’s length negotiations between the parties to the Disposal Agreement;
- (ii) the Consideration is equal to the audited net assets value of Founder Order of approximately HK\$43.8 million as at 31 December 2009 plus the aggregate amount of waiver of all outstanding indebtedness due and owing by Founder Order to the Company and its subsidiary(ies) of approximately HK\$3.7 million as at 31 May 2010; and

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- (iii) we have reviewed the unaudited management accounts of Founder Order for the four months ended 30 April 2010 and noted that the net assets value of Founder Order has decreased from approximately HK\$43.8 million as at 31 December 2009 to approximately HK\$29.8 million as at 30 April 2010, which was mainly due to the incurring of an unaudited loss of approximately HK\$14.0 million for the four months ended 30 April 2010. As a result, without taking into account the waiver of all outstanding indebtedness due and owing by Founder Order to the Company and its subsidiary(ies), the consideration of approximately HK\$43.8 million represents a premium of approximately 47.0% to the unaudited net assets value of Founder Order as at 30 April 2010. Moreover, the Directors expected that the Group would record an unaudited gain on disposal of approximately HK\$13.2 million as a result of the Disposal.

Having considered the above factors, we concur with the Directors' view that the terms of the Disposal Agreement (including the Consideration) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Possible financial effects of the Disposal on the Group

The Independent Shareholders are advised that the figures and possible financial impacts shown in this section below are for illustrative and reference purposes only.

Effects on earnings

As stated in the Letter, as a result of the Disposal, the Group is expected to record an unaudited gain on disposal of approximately HK\$13.2 million. Given that the Consideration is based on various relevant factors including audited net assets of Founder Order as at 31 December 2009 and waiver of all outstanding indebtedness due and owing by Founder Order to the Company and its subsidiary(ies) as at 31 May 2010, any operation loss of Founder Order after such date would give rise to a gain on disposal for the Group. The estimated gain on disposal is calculated by taking into account the unaudited loss of Founder Order for the four months ended 30 April 2010, the waiver of all outstanding indebtedness due and owing by Founder Order to the Company and its subsidiary(ies) as at 31 May 2010, and the estimated professional expenses in connection with the Disposal.

Before Completion, Founder Order is an indirect wholly-owned subsidiary of the Company. After Completion, the Company will cease to have any interest in Founder Order and accordingly the financial results of Founder Order will no longer be consolidated into the Company's financial statements and future possible profits or losses of Founder Order would have no impact on the Group.

Effects on net asset value

According to the 2009 Annual Report, the audited consolidated net assets attributable to equity holders of the Company as at 31 December 2009 amounted to approximately HK\$488.1 million. The Directors confirm that upon Completion, the consolidated net assets of the Group will be increased by the amount of the expected gain on disposal of approximately HK\$13.2 million.

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Upon Completion, Founder Order will cease to be a subsidiary of the Company and the Company will cease to have any interest in Founder Order. Therefore, the assets and liabilities of Founder Order will no longer be consolidated into the financial statements of the Group upon Completion.

Effects on working capital

The Directors confirm that the sales proceeds from the Disposal of approximately HK\$47.5 million (before expenses) will be used by the Group for the development of its existing media business and general working capital purposes. Therefore, the working capital of the Group would be enhanced after Completion.

(II) CONTINUING CONNECTED TRANSACTIONS

Background of and reasons for entering into the Master Sales Agreement

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

The Group has been supplying certain information products (including but not limited to desktop computers, laptop computers, servers and internet products) to Founder Order for use in its operation and business on normal commercial terms on an ongoing basis.

The Directors confirm that after Completion, Founder Order will become a subsidiary of Peking Founder, a connected person of the Company. Therefore, the ongoing sales of information products by the Group to Founder Order will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. In light of the above, the Master Sales Agreement will be entered into between Peking Founder and the Company in order to govern and specify the terms adopted and the annual caps of the total amount of the Continuing Connected Transactions for the three financial years ending 31 December 2012. The terms of the Master Sales Agreement will become effective from the date of execution upon approval by Independent Shareholders at the SGM until 31 December 2012. The Directors consider that the entering into the Master Sales Agreement is (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

Major terms of the Master Sales Agreement

As stated in the Letter, pursuant to the Master Sales Agreement, the Group will provide information products to the Peking Founder Group at the price based on the rack rate payable by the Group to the suppliers, exclusive of any freight charges and tax payable, at the time of purchase of the relevant information products plus a commission at 0.3% which is determined with reference to the level of administrative and logistics effort. Further, the Peking Founder Group should bear all the freight charges, taxes and other relevant expenses in relation to the information products which the Group purchased from the suppliers.

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As the Group has been supplying information products to Founder Order for the past years, the Directors believe that securing a long-term business relationship with customers such as Founder Order and other subsidiaries of Peking Founder can effectively enhance the Group's financial performance. Moreover, the transactions contemplated under the Master Sales Agreement are in line with the principal businesses of the Group. As confirmed by the Directors, the 0.3% commission to be charged by the Group to the Peking Founder Group is for administrative and logistics efforts to be provided by the Group in supplying such information products. These efforts include handling of purchase order, arrangement of receipt of products, bank charges and other relevant miscellaneous expenses. The Directors confirm that such commission rate was determined between the parties after arm's length negotiation.

As confirmed by the Directors, there is no comparable market commission rate available to the Group which is similar to the transactions contemplated under the Master Sales Agreement. To assess the reasonableness of the commission rate of 0.3%, we have enquired the Directors and are confirmed by the Directors that such commission rate was sufficient to cover all the administrative expenses to be incurred by the Group in relation to the provision and sales of information products to Founder Order. We have also obtained and reviewed the internal financial information of two subsidiaries of the Company, through which the sales of the information products to Founder Order were previously made (the "**Subsidiaries**"). We noted that the average of the relevant administrative expenses in relation to the sales of information products incurred by the Subsidiaries as a percentage of their respective cost of sales was approximately 0.23% for the year ended 31 December 2009. Based on the above, we concur with the Directors' view that the commission rate of 0.3% in connection with the sales of information products by the Group to the Peking Founder Group is reasonably determined.

In view of the above, we concur with the Directors' view that the entering into the Master Sales Agreement is in the ordinary and usual course of business of the Group and the terms of the Master Sales Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

The Proposed Annual Caps

Pursuant to the Master Sales Agreement, the Proposed Annual Caps for the three financial years ending 31 December 2012 are RMB170,000,000, RMB190,400,000 and RMB213,248,000 respectively. As stated in the Letter, the Proposed Annual Caps are determined based on the Company's estimation of the sales of information products to Founder Order for the three financial years ending 31 December 2012 with reference to the historical sales pattern for the three financial years ended 31 December 2009 and the sales for the four months ended 30 April 2010.

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

- (i) as confirmed by the Directors, we understand that the determination of the proposed annual cap for the Continuing Connected Transactions for the financial year ending 31 December 2010 was with reference to a historical seasonal factor of the sales of information products made by the Subsidiaries to Founder Order. Accordingly, we have been provided and have reviewed the historical sales amount made by the Subsidiaries to Founder Order for the three years ended 31 December 2009 and noted that in these three years, the amount of sales made by the Subsidiaries to Founder Order in the first four months represented, on average, approximately 17.7% of the total amount of sales to Founder Order in the year. As stated in the Letter, the actual sales of information products to Founder Order for the four months ended 30 April 2010 amounted to approximately RMB28,246,000. Based on the actual sales amount for the four months ended 30 April 2010 and the seasonal factor as mentioned above, we consider the proposed annual cap for the sales of information products to Founder Order for the financial year ending 31 December 2010 of RMB170,000,000 is reasonably determined; and
- (ii) we note that in determining the proposed annual caps for the Continuing Connected Transactions for the two financial years ending 31 December 2012, the Directors have applied an average annual growth rate of 12% based on the proposed annual cap for the financial year ending 31 December 2010. According to the 2009 Annual Report, the turnover of the Group for year 2009 increased by approximately 48.7% as compared to the previous year. In addition, according to the internal management financial information provided by the Company, the sales of information products made by the Subsidiaries to Founder Order for the financial year ended 31 December 2009 increased by approximately 10.7% as compared to such sales amount in 2008. Furthermore, according to extracts of a report issued by a market research company in 2010, total information technology spending in China is projected to grow at a compound annual growth rate of 16% during the period from 2010 to 2014. Based on the above, we consider that it is justifiable to apply an average annual growth rate of 12% in determining the proposed annual caps for the Continuing Connected Transactions for the two financial years ending 31 December 2012.

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

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Generally speaking, in our opinion, it is in the interests of the Group for the abovementioned Proposed Annual Caps to be as accommodating to the Group as possible (within reason). Provided that the pricing for the Continuing Connected Transactions is fair and reasonable and the conduct of those transactions would be subject to annual review by the independent non-executive Directors and auditors of the Company as required under the Listing Rules, the Group would have flexibility in conducting its businesses if the Proposed Annual Caps are tailored to accommodate future business growth. In assessing the reasonableness of the Proposed Annual Caps, we have discussed with the management of the Group regarding their estimated sales volume and the basis of the calculations. However, 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 Continuing Connected Transactions or as an assurance by the Group of its future revenue. Consequently, we express no opinion as to how closely the actual transaction amounts of the Continuing Connected Transactions will correspond with the Proposed Annual Caps as discussed above.

RECOMMENDATION

Having considered the above principal factors and reasons, we, on an overall basis, consider that the terms of the Disposal Agreement, the Master Sales Agreement and the transactions contemplated under the Disposal Agreement and the Master Sales Agreement are on normal commercial terms and 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 although the Disposal is not in the ordinary and usual course of business of the Company. We also consider that 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 Disposal Agreement and the Master Sales 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 31 May 2010, 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\$143.4 million which comprised unsecured bank loans of approximately HK\$115.9 million and secured trust receipt loans of approximately HK\$27.5 million. The above unsecured bank loans of approximately HK\$115.9 million included bank loans of approximately HK\$109.9 million guaranteed by Peking Founder, and a bank loan of HK\$6.0 million guaranteed by the Company and the Government of the Hong Kong Special Administrative Region under the SME Loan Guarantee Scheme. The secured trust receipt loans were secured by certain of the Group's investment properties, land and buildings and bank deposits with carrying values of approximately HK\$30.0 million, HK\$32.6 million and HK\$15.2 million, respectively.

Save as disclosed above and apart from intra-group liabilities, the Group did not have, at the close of business on 31 May 2010, 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, available banking facilities, the proceeds from the Disposal, 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 2009, being the date to which the latest published audited consolidated accounts of the Company were made up.

4. PROSPECT

The management will closely monitor changes in the PRC's economy and its IT market. The Group will continue the development of innovative software and solutions and provide our customers with more cost-effective products and solutions to meet our customers' demands for enhancing their competitiveness. We will continuously refine its product structure to avoid product overlapping and minimise market risk. In addition, the Group will closely monitor the performance of media and non-media business sector to achieve effective cost control and strengthen its brand position and market influence in the software and systems integration industries. The Group will continue to look for alliance with other international suppliers and investment opportunities.

5. FINANCIAL EFFECT OF THE DISPOSAL ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE COMPANY

Founder Order's audited net assets value amounted to approximately HK\$43.8 million as at 31 December 2009, which included outstanding indebtedness due and owing by Founder Order to the Company and its subsidiaries in the aggregate amount of approximately HK\$3.7 million as at 31 December 2009. Founder Order incurred loss after tax for the year ended 31 December 2009 of approximately HK\$13.1 million. Immediately after completion of the Disposal, the Group will cease to have any interest in Founder Order. Accordingly, the financial results of Founder Order will not be consolidated in the accounts of the Group after completion of the Disposal. Based on the results of the Group as at 31 December 2009, the total assets and total liabilities of the Group will be reduced by approximately HK\$653.8 million and HK\$606.3 million, respectively, as a result of the Disposal, while earnings for the year ended 31 December 2009 would be increased by approximately HK\$13.1 million.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS 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 2009, 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*) (<i>Note</i>)	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 2009, 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 CONTRACT

The following contract (not being contract in the ordinary course of business of the Group) is the only contract which has been entered into by members of the Group within the two years immediately preceding the date of this circular and is or may be material:

- the entrusted loan agreement dated 15 July 2009 entered into between the Company (as lender) and Peking Founder (as 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) to the Peking Founder Group.

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 3 August 2010, the date of the SGM:

- (i) the bye-laws of the Company;
- (ii) the annual reports of the Company for the two years ended 31 December 2009;
- (iii) the Disposal Agreement;
- (iv) the Master Sales Agreement;
- (v) the material contract referred to in the paragraph headed "Material Contract" above;
- (vi) the letter from the Independent Board Committee, the text of which is set out on page 13 of this circular;
- (vii) the letter from KGI Capital, the text of which is set out on pages 14 to 25 of this circular; and
- (viii) the letter of consent from KGI Capital referred to in the paragraph headed "Expert" above.

NOTICE OF SGM



FOUNDER HOLDINGS LIMITED 方正控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00418)

NOTICE IS HEREBY GIVEN that a special general meeting of Founder Holdings Limited (the “Company”) will be held at 11:30 a.m. on Tuesday, 3 August 2010 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 Disposal Agreement and the Master Sales Agreement (as defined in the Circular) be and are hereby approved;
- (b) the proposed annual caps in relation to the transactions contemplated under the Master Sales Agreement for the three years ending 31 December 2012 be and are hereby approved; and
- (c) any one Director be and is hereby authorised to do all such acts or things, as he/she may in his/her absolute discretion consider necessary or desirable, to give effect to the Disposal Agreement and the Master Sales Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 14 July 2010

Notes:

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

* For identification purpose only