
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution 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 transferee or to the bank, licensed securities dealer, registered institution in securities, or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS
FINANCIAL SERVICES AGREEMENT**

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



China Everbright Capital Limited

A letter from the board of directors of Founder Holdings Limited is set out on pages 5 to 17 of this circular. A letter from the Independent Board Committee (as defined herein) of the Company is set out on page 18 of this circular. A letter from China Everbright Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 32 of this circular.

A notice convening the special general meeting to be held at 10:00 a.m. on Wednesday, 12 January 2011 at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong is set out in pages 38 to 39 of this circular. Whether or not you are able to attend the special general meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible to the principal place of business of Founder Holdings Limited at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong and in any event not later than 48 hours before the time of the special general meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting should you so wish.

* For identification purpose only

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DEFINITIONS

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

“Announcement”	the announcement made by the Company dated 3 December 2010
“associates”	has the same meaning as ascribed thereto in the Listing Rules
“Board”	the board of Directors of the Company
“CBRC”	中國銀行業監督管理委員會 China Banking Regulatory Commission
“Company”	Founder Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the same meaning as ascribed thereto in the Listing Rules
“controlling shareholder”	has the same meaning as ascribed thereto in the Listing Rules
“Deposit Services”	the deposit and related services to be provided by Founder Finance to the Group under the Financial Services Agreement
“Directors”	the directors of the Company
“Financial Services Agreement”	the financial services agreement in relation to the Deposit Services, the Loan Services, and the Miscellaneous Financial Services entered into between the Company, Founder Finance and Peking Founder on 3 December 2010
“Founder Finance”	北大方正集團財務有限公司 (PKU Founder Group Finance Co., Ltd.), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Peking Founder
“Group”	the Company and its subsidiaries
“Guarantee”	the guarantee provided by Peking Founder in favour of the Company in the Financial Services Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board comprising Mr Li Fat Chung, Dr Hu Hung Lick, Henry and Ms Wong Lam Kit Yee, being all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders on the terms of the Deposit Services and the Proposed Deposit Cap
“Independent Financial Adviser” or “China Everbright”	China Everbright Capital Limited, a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Deposit Services and the Proposed Deposit Cap
“Independent Shareholders”	Shareholders other than Peking Founder
“Latest Practicable Date”	20 December 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Loan Services”	the RMB loan and related services to be provided by Founder Finance to the Group under the Financial Services Agreement
“Miscellaneous Financial Services”	apart from the Deposit Services and the Loan Services, financial services including settlement services, discounted note services, and other related consultancy and agency services, in accordance with the permitted scope prescribed under the PRC financial policies and the Management Methods for Group Finance Companies (企業集團財務公司管理辦法), pursuant to the Financial Services Agreement
“PBC”	中國人民銀行 People’s Bank of China

DEFINITIONS

“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”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region and Taiwan for the purpose of this Circular
“Proposed Caps”	the Proposed Deposit Cap and the Proposed Handling Fee Cap
“Proposed Deposit Cap”	the proposed maximum daily outstanding balance of deposits (including accrued interest) placed by the Group with Founder Finance during the Term pursuant to the Financial Services Agreement
“Proposed Handling Fee Cap”	the proposed cap for the aggregate annual handling fees in connection with the Miscellaneous Financial Services
“Right of Set Off”	Under the Financial Services Agreement, in the event of any default by Founder Finance in respect of amounts deposited with it by the Group and causing it not being able to recover such deposits, the Group will be able to offset the amounts owing from the Group to Founder Finance against the amounts due to the Group from Founder Finance; likewise, in the event of any default in repayment by the Group in respect of loans procured from Founder Finance, Founder Finance will be able to offset the amounts deposited with it by the Group against the amounts owing from the Group to Founder Finance
“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 at 10:00 a.m. on Wednesday, 12 January 2011 at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong to consider and approve, among other things, the Deposit Services and the Proposed Deposit Cap

DEFINITIONS

“Shareholders”	registered holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the same meaning as ascribed thereto in the Listing Rules
“Term”	the term of the Financial Services Agreement, which shall become effective on 1 January 2011 (or upon satisfaction of all condition precedents if later) until 31 December 2013
“%”	per cent.

* *Certain English translations of Chinese names or words in this circular are included for identification purpose only and should not be regarded as the official English translation of such Chinese names or words.*

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 Hing 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

24 December 2010

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS FINANCIAL SERVICES AGREEMENT

INTRODUCTION

Reference is made to the Announcement in relation to the transactions contemplated under the Financial Services Agreement.

On 3 December 2010, the Company, Founder Finance and Peking Founder entered into the Financial Services Agreement, pursuant to which Founder Finance has agreed to provide the Group with (i) Deposit Services; (ii) Loan Services; and (iii) Miscellaneous Financial Services subject to the terms and conditions provided therein.

As Peking Founder is a controlling shareholder of the Company and Founder Finance is an indirect wholly-owned subsidiary of Peking Founder, both Peking Founder and Founder Finance are connected persons of the Company. Accordingly, the Financial Services Agreement and the transactions contemplated thereunder will constitute continuing connected transactions of the Company under the Listing Rules.

* For identification purpose only

LETTER FROM THE BOARD

Since the Loan Services are on normal commercial terms (or better to the Group) where no security over the assets of the Group will be granted in respect of the financial assistance given by Founder Finance, the Loan Services are exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.65(4) of the Listing Rules.

As each of the applicable percentage ratios in respect of the handling fees in connection with the Miscellaneous Financial Services is on an annual basis less than 5% and the annual consideration is less than HK\$1,000,000, the Miscellaneous Financial Services will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Deposit Services are more than 5%, and the total value of the Deposit Services is over HK\$10,000,000, the Deposit Services and the Proposed Deposit Cap are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Deposit Services are more than 5% but less than 25%, the Deposit Services also constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules and are therefore subject to the notification and announcement requirements under Rule 14.34 of the Listing Rules.

The purpose of this circular is to provide you with (i) details of the Financial Services Agreement and the transactions contemplated thereunder and the Proposed Caps; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) other information as required under the Listing Rules; and (v) the notice of SGM, at which an ordinary resolution will be proposed to approve the Deposit Services and the Proposed Deposit Cap pursuant to the Financial Services Agreement.

THE FINANCIAL SERVICES AGREEMENT

1. Date

3 December 2010

2. Effective Date and the Term

The Financial Services Agreement shall become effective on 1 January 2011 (or upon satisfaction of all condition precedents if later) until 31 December 2013.

3. Parties

- (a) the Company (as services user);
- (b) Founder Finance (as services provider); and

LETTER FROM THE BOARD

- (c) Peking Founder (as guarantor).

4. Major Terms

- (a) Deposit Services:

Founder Finance will provide RMB deposit services to the Group pursuant to the Financial Services Agreement. The Group will open and maintain RMB deposit accounts with Founder Finance.

The interest rates on the Deposit Services offered by Founder Finance to the Group will not be lower than those offered by other PRC financial institutions, subject to the standard RMB deposit rates promulgated by PBC from time to time.

The Proposed Deposit Cap for the three years ending 31 December 2013 shall not exceed RMB100 million, RMB110 million and RMB121 million, respectively.

In the event that the Group suffers any financial loss by reason of the default of Founder Finance, Founder Finance shall compensate the Group for such loss suffered by the Group in accordance with the rules and regulations of PBC.

- (b) Loan Services

Founder Finance will provide RMB loan services to the Group pursuant to the Financial Services Agreement.

The interest rates to be charged by Founder Finance for the provision of Loan Services to the Group will be determined by the Company and Founder Finance with reference to the interest rates of PBC from time to time and the prevailing market conditions. The interest rates on the Loan Services offered by Founder Finance to the Group will not be higher than those offered by other PRC financial institutions. Founder Finance can offer the Group up to a 10% discount to the benchmark interest rate. No security over the assets of the Group will be granted in respect of the Loan Services offered by Founder Finance.

- (c) Miscellaneous Financial Services

Founder Finance will provide, apart from the Deposit Services and the Loan Services, financial services to the Group including settlement services, discounted note services, and other related consultancy and agency services, in accordance with the permitted scope prescribed under the PRC financial policies and the Management Methods for Group Finance Companies (企業集團財務公司管理辦法) pursuant to the Financial Services Agreement. Handling fees will be charged by Founder Finance for the Miscellaneous Financial Services provided to the Group pursuant to the Financial Services Agreement.

LETTER FROM THE BOARD

The handling fees to be charged by Founder Finance in connection with the Miscellaneous Financial Services will be determined with reference to the market rates of similar services as promulgated by PBC and will not be higher than those offered by other PRC financial institutions to the Group.

The handling fees payable by the Group to Founder Finance in connection with the Miscellaneous Financial Services in aggregate shall not exceed HK\$1 million on an annual basis.

- (d) The Group may obtain financial services from other financial institutions in addition to those provided by Founder Finance pursuant to the Financial Services Agreement.
- (e) Under the Financial Services Agreement, the Group will have a right of set off such that, in the event of any default by Founder Finance in respect of amounts deposited with it by the Group and causing it not being able to recover such deposits, the Group will be able to offset the amounts owing from the Group to Founder Finance against the amounts due to the Group from Founder Finance. Likewise, in the event of any default in repayment by the Group in respect of loans procured from Founder Finance, Founder Finance will be able to offset the amounts deposited with it by the Group against the amounts owing from the Group to Founder Finance.

5. Condition Precedents

The Financial Services Agreement is conditional upon:

- (a) approval by the Independent Shareholders at the SGM;
- (b) approval by the Board, and the board of directors of Founder Finance and Peking Founder;
- (c) a PRC legal opinion on the legality of the Financial Services Agreement, issued by a reputable PRC law firm to the satisfaction of the Company; and
- (d) any other relevant approvals as may be required for the Financial Services Agreement to take effect.

6. Termination

The Financial Services Agreement shall not be terminated by any of the parties unilaterally.

In addition to the default events provided by the Contract Laws of the PRC, the Financial Services Agreement will be terminated with immediate effect if Founder Finance failed to satisfy any operation condition (as currently required by the CBRC) as follows:

- (a) the capital adequacy ratio is not less than 10%;

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- (b) the non-performing assets ratio is not more than 4%;
- (c) the bad loan ratio is not more than 5%;
- (d) the asset loss reserve adequacy ratio is not less than 100%;
- (e) the loan loss reserve adequacy ratio is not less than 100%;
- (f) the liquidity ratio is not less than 25%;
- (g) the self-owned fixed assets to total capital ratio is not more than 20%;
- (h) the short term securities investment to total capital ratio is not more than 40%;
- (i) the long term investment to total capital ratio is not more than 30%;
- (j) the borrowed capital to total capital ratio is not more than 100%; or
- (k) the guarantee risk exposure to total capital ratio is not more than 100%.

Upon termination of the Financial Services Agreement, the Group may withdraw its deposits with Founder Finance at any time. Should there be any outstanding loans owing from the Group pursuant to the Loan Services, the Group may negotiate with Founder Finance with regard to the loan repayment schedule.

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7. Proposed Caps

The Board proposed the following caps in respect of (i) the maximum daily outstanding balance of deposits (including accrued interest) placed by the Group with Founder Finance; and (ii) the maximum annual handling fees in connection with the Miscellaneous Financial Services during the Term pursuant to the Financial Services Agreement:

Subject matter	Proposed Caps	Basis of determination of the Proposed Caps
(a) Deposit Services	RMB100 million, RMB110 million and RMB121 million on a daily basis for the three years ending 31 December 2013, respectively	There has been no similar transaction between the Group and Founder Finance prior to the date of the Financial Services Agreement. The Proposed Deposit Cap has been determined with reference to a number of factors including (i) the increasing asset scale and anticipated amounts of the Group available for deposit; (ii) the expected amount of interest income from Founder Finance compared with interest income that could otherwise be obtained by placing deposits with other commercial banks; and (iii) the strategies for treasury management of the Company taking into account the business development plans and financial needs of the Group.
(b) Aggregate handling fees in connection with the Miscellaneous Financial Services	HK\$1 million on an annual basis	There has been no similar transaction between the Group and Founder Finance prior to the date of the Financial Services Agreement. The proposed cap for the aggregate handling fees in connection with the Miscellaneous Financial Services on an annual basis has been determined with reference to (i) the historical aggregate amounts of handling fees paid to independent commercial banks in the PRC; (ii) the market rates of similar services as promulgated by PBC; and (iii) the operation and financial needs of the Group in the coming years.

LETTER FROM THE BOARD

8. The Guarantee by Peking Founder

Peking Founder has provided the Guarantee to the Company in the Financial Services Agreement, pursuant to which Peking Founder has undertaken to the Company that:

- (a) it will maintain its controlling interest in Founder Finance and ensure that Founder Finance will operate under its prescribed scope of business;
- (b) it shall use its best endeavours and all probable and reasonable means to ensure that Founder Finance will fulfil its obligations under the Financial Services Agreement;
- (c) in the event that Founder Finance has difficulties in repaying any money to the Group, Peking Founder will increase the working capital of Founder Finance in order to enable it to fulfil its obligations under the Financial Services Agreement; and
- (d) Peking Founder undertakes and warrants to compensate the Group jointly and severally with Founder Finance for all (if any) financial losses (including but not limited to the Group's deposits, interests and related expenses incurred) caused by Founder Finance's breaches or potential breaches of PRC laws and regulations, or by it having or potentially having any major operational problems or difficulties with liquidity, or by its non-performance of any terms or default under the Financial Services Agreement.

Based on the financial information of the Peking Founder Group for the two years ended 31 December 2009 and the six months ended 30 June 2010, the Directors (including the independent non-executive Directors whose views are based on the opinion of the Independent Financial Adviser) consider that the Peking Founder Group has had a very strong asset base and healthy income performance. Based on this financial condition, Peking Founder is considered to be eligible to fulfil its Guarantee obligations contemplated under the Financial Services Agreement.

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.

INFORMATION ON FOUNDER FINANCE

Founder Finance is a non-banking financial institution and an indirect wholly-owned subsidiary of Peking Founder established in the PRC since September 2010 with the approval of PBC. It is subject to the supervision of CBRC. According to its business licence, it is authorised to provide the Group with all the services set out in the Financial Services Agreement.

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As at the date of the Financial Services Agreement, the registered capital of Founder Finance was RMB300 million. As at 31 October 2010, Founder Finance also had a total asset value of approximately RMB300.2 million which included liquid assets (such as bank deposits and central bank reserves) of approximately RMB294.0 million.

Founder Finance is subject to stringent regulations and is regulated by PBC and CBRC. CBRC's supervision includes regular examination of the audited financial statements and other relevant materials required to be filed by group finance companies as well as on-site inspections and interviews with the senior management of group finance companies. To ensure compliance with the applicable laws and regulations, CBRC has powers to issue corrective and/or disciplinary orders and to impose penalties and/or fines on group finance companies.

REASONS FOR AND BENEFITS OF THE FINANCIAL SERVICES AGREEMENT

The main reasons for the Company to enter into the Financial Services Agreement with Founder Finance are as follows:

- (a) PRC laws do not permit companies, including subsidiaries and associates, other than regulated financial institutions, to extend intra-group loans directly. Any such loan must be directed through a regulated financial institution. Founder Finance is a non-banking financial institution approved and regulated by PBC and CBRC, and is authorised to provide various kinds of financial services, including deposit-taking and loan services;
- (b) the use of Founder Finance as a vehicle to manage the funds of the Group would facilitate a more efficient deployment of funds between members of the Group;
- (c) the interest rates on the Deposit Services and the Loan Services offered, and the handling fees in connection with the Miscellaneous Financial Services charged by Founder Finance to the Group will be equal to or more favourable than, on a case by case basis, those offered to the Group by any third party;
- (d) Founder Finance is regulated by PBC and CBRC, and it provides its services in accordance with and in satisfaction of the rules and operational requirements of these regulatory authorities;
- (e) the Group is expected to benefit from Founder Finance's better understanding of the Group's operations which should render more expedient and efficient services than other commercial banks in the PRC;
- (f) pursuant to the relevant regulations of PBC and CBRC, the customers of Founder Finance are limited to members of the Peking Founder Group and its associates, who mainly engage in IT, medical and security businesses, industries that are relatively diversified yielding relatively stable incomes, with very little impact from seasonal factors and macro-economical environment. Hence Founder Finance will not be exposed to a level of potential risk higher than that of other PRC commercial banks, which deal with customers of various credit ratings;

LETTER FROM THE BOARD

- (g) as all members of the Peking Founder Group and the Group are entitled to utilise the Deposit Services, Loan Services and Miscellaneous Financial Services, the Financial Services Agreement would allow for the provision of intra-group loans amongst members of the Group, thus opening another avenue for the Group to raise loans and providing the Group with an alternative to raising loans from other financial institutions, which would in turn promote liquidity among the Group, enhance the overall ability of the Group to repay debts, and assist in monitoring and controlling financial risks;
- (h) the arrangements under the Financial Services Agreement would save financial costs, and accordingly increase the profitability of the Group;
- (i) the arrangements under the Financial Services Agreement would allow a certain degree of concentration of the Group's deposited funds (limited by the Proposed Deposit Cap), which would expedite the monitoring of the use and application of funds within the Group, and would provide the Group with a higher bargaining power (than when the deposited sum was split between financial institutions) with regard to terms and interest rates of the Deposit Services; and
- (j) the Guarantee and the Right of Set Off under the Financial Services Agreement shall provide security and comfort to the Group by reducing the risks which the Group may be exposed to in the event of default of Founder Finance.

The Directors (including the independent non-executive Directors whose views are stated under the paragraph headed "Recommendation" below) consider that the terms of the Financial Services Agreement have been negotiated on an arm's length basis and on normal commercial terms, and the transactions contemplated thereunder and the Proposed Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors whose views are based on the opinion of the Independent Financial Adviser) also believe that the risk profile of Founder Finance, as a financial services provider to the Group, is no greater than that of independent commercial banks in the PRC. As far as the Directors are aware, Founder Finance has established stringent internal control measures to ensure effective risk management and compliance with all relevant laws and regulations.

In assessing the financial risks involved in placing deposits with Founder Finance, the Directors (including the independent non-executive Directors whose views are based on the opinion of the Independent Financial Adviser) have taken into account the following factors:

- (a) the operations of Founder Finance are subject to the supervision of PBC and CBRC and are regulated by the relevant PRC financial services rules and regulations;
- (b) Founder Finance has established internal control and risk management systems in accordance with the relevant PRC financial services rules and regulations, to ensure the safe and stable operation of fund management;

LETTER FROM THE BOARD

- (c) Founder Finance shall ensure the prudent management of its business, the strict compliance with the risk control indicators for financial institutions issued by the CBRC, and that its monitoring indicators such as the gearing ratio and the liquidity ratio have also complied with the requirements of the CBRC;
- (d) The Company shall review the ratio of the Group's deposit and loans with Founder Finance quarterly, so as to evaluate the risk of placing deposits with Founder Finance;
- (e) in addition to the default events provided by the Contract Laws of the PRC, the Financial Services Agreement will be terminated with immediate effect if Founder Finance failed to satisfy any operation condition (as currently required by the CBRC) as follows:
 - (i) the capital adequacy ratio is not less than 10%;
 - (ii) the non-performing assets ratio is not more than 4%;
 - (iii) the bad loan ratio is not more than 5%;
 - (iv) the asset loss reserve adequacy ratio is not less than 100%;
 - (v) the loan loss reserve adequacy ratio is not less than 100%;
 - (vi) the liquidity ratio is not less than 25%;
 - (vii) the self-owned fixed assets to total capital ratio is not more than 20%;
 - (viii) the short term securities investment to total capital ratio is not more than 40%;
 - (ix) the long term investment to total capital ratio is not more than 30%;
 - (x) the borrowed capital to total capital ratio is not more than 100%; or
 - (xi) the guarantee risk exposure to total capital ratio is not more than 100%; and
- (f) the Guarantee and the Right of Set Off under the Financial Services Agreement shall provide security and comfort to the Group by reducing the risks which the Group may be exposed to in the event of default of Founder Finance.

Since Mr Zhang Zhao Dong, Professor Xiao Jian Guo and Professor Wei Xin are all directors of Peking Founder, they abstained from voting on the board resolutions in respect of the Financial Services Agreement and the Proposed Caps. Save as the Directors mentioned above, none of the Directors has other material interests in the Financial Services Agreement.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

Continuing Connected Transactions and Discloseable Transactions

Peking Founder was a controlling Shareholder holding approximately 32.49% of the issued share capital of the Company. As Founder Finance is an indirect wholly-owned subsidiary of Peking Founder, Peking Founder and Founder Finance are connected persons of the Company. Accordingly, the Financial Services Agreement and the transactions contemplated thereunder will constitute continuing connected transactions of the Company under the Listing Rules.

Since the Loan Services are on normal commercial terms (or better to the Group) where no security over the assets of the Group will be granted in respect of the financial assistance given by Founder Finance, the Loan Services are exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.65(4) of the Listing Rules.

As each of the applicable percentage ratios in respect of the handling fees in connection with the Miscellaneous Financial Services is on an annual basis less than 5% and the annual consideration is less than HK\$1,000,000, the Miscellaneous Financial Services will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Deposit Services are more than 5% and the total value of the Deposit Services is over HK\$10,000,000, the Deposit Services and the Proposed Deposit Cap are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Deposit Services are more than 5% but less than 25%, the Deposit Services also constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules and are therefore subject to the notification and announcement requirements under Rule 14.34 of the Listing Rules.

The Deposit Services and the Proposed Deposit Cap will be subject to the approval by the Independent Shareholders by way of poll at the SGM. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, save and except for Peking Founder (a controlling shareholder holding approximately 32.49% of the issued share capital of the Company) who shall abstain from voting at the SGM, no other Shareholder is required to abstain from voting on the resolution in relation to the Deposit Services and the Proposed Deposit Cap to be approved by way of poll at the SGM.

SGM

A notice convening the SGM to be held at 10:00 a.m., on Wednesday, 12 January 2011 at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong is set out in pages 38 to 39 of this circular for the purpose of considering and, if thought fit, passing the ordinary resolution in relation to the Deposit Services and the Proposed Deposit Cap pursuant to the Financial Services Agreement. Peking Founder, being

LETTER FROM THE BOARD

the controlling shareholder of the Company, and all parties involved in or interested in the Deposit Services pursuant to the Financial Services Agreement are required to abstain from voting with respect to the resolution for approving the Deposit Services and the Proposed Deposit Cap pursuant to the Financial Services Agreement.

The ordinary resolution to be proposed at the SGM will be determined by way of poll by the Independent Shareholders. Peking Founder who 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, is required to abstain from voting at the SGM in respect of the ordinary resolution.

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

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, which comprises 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 in connection with the terms of the Deposit Services and the Proposed Deposit Cap pursuant to the Financial Services Agreement.

China Everbright has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders respectively on the Deposit Services and the Proposed Deposit Cap pursuant to the Financial Services Agreement.

Your attention is drawn to the letter from the Independent Board Committee and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as set out in page 18 and pages 19 to 32 of this circular, respectively.

RECOMMENDATION

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, is of the view that the transactions contemplated under the terms of the Deposit Services and the Proposed Deposit Cap pursuant to the Financial Services Agreement are on normal commercial terms, 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 THE BOARD

Accordingly, the Directors (including the independent non-executive Directors whose views are based on the opinion of the Independent Financial Adviser) recommend the Independent Shareholders to vote in favour of the ordinary resolution set out in the notice of SGM enclosed to this circular.

ADDITIONAL INFORMATION

Your attention is drawn to the Letter from the Independent Board Committee, the Letter from China Everbright, the additional information set out in the appendix to this circular and the notice of SGM.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



(Incorporated in Bermuda with limited liability)

(Stock Code: 00418)

24 December 2010

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS FINANCIAL SERVICES AGREEMENT

We refer to the circular to the Shareholders dated 24 December 2010 (the “Circular”) of which this letter forms part. Terms defined in the Circular have the same meaning when used herein unless the context otherwise requires.

We have been authorised by the Board to form the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Deposit Services and the Proposed Deposit Cap pursuant to the Financial Services Agreement are on normal commercial terms, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter from the Board set out on pages 5 to 17 of the Circular and the letter from China Everbright, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Deposit Services and the Proposed Deposit Cap, as set out on pages 19 to 32 of the Circular.

Having considered the factors and reasons considered by and the opinion of China Everbright as stated in its letter of advice contained in the Circular, we are of the view that the terms of the Deposit Services and the Proposed Deposit Cap pursuant to the Financial Services Agreement are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Deposit Services and the Proposed Deposit Cap.

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 CHINA EVERBRIGHT

The following is the full text of a letter of advice from China Everbright to the independent Board Committee and the Independent Shareholders in relation to the Deposit Services and the Proposed Deposit Cap prepared for the purpose of inclusion in this circular.



24 December 2010

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

Dear Sirs,

DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS DEPOSIT SERVICES UNDER THE FINANCIAL SERVICES AGREEMENT

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders in relation to the Deposit Services and the Proposed Deposit Cap.

The details of the Deposit Services are set out in the Letter from the Board in the circular to the Shareholders dated 24 December 2010 (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

As at the Latest Practicable Date, Peking Founder was a controlling Shareholder and Founder Finance is an indirect wholly-owned subsidiary of Peking Founder. Therefore Peking Founder and Founder Finance are connected persons of the Company. Accordingly, the Financial Services Agreement and the transactions contemplated thereunder will constitute continuing connected transactions of the Company under the Listing Rules.

As the applicable percentage ratios in respect of the Deposit Services are more than 5% and the total value of the Deposit Services is over HK\$10,000,000, the Deposit Services and the Proposed Deposit Cap are subject to the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising Mr. Li Fat Chung, Dr. Hu Hung Lick, Henry and Ms. Wong Lam Kit Yee, being all the independent non-executive Directors, has been formed to consider the fairness and reasonableness of the Deposit Services, and to make recommendations to the Independent Shareholders in respect thereof. We, China Everbright Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM CHINA EVERBRIGHT

Our role as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is to give our opinion as to whether (i) the Deposit Services are in the ordinary and usual course of business of the Group; and (ii) the terms of the Deposit Services, including the Proposed Deposit Cap, 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.

Apart from normal professional fees for our services to the Company in connection with the engagement described above, no arrangement exists whereby China Everbright will receive any fees and benefits from the Group, the Peking Founder Group or any of their respective associates. China Everbright is independent from and not connected with the Group and the Peking Founder Group or any of their respective substantial shareholders, directors or chief executive, or any of their respective associates pursuant to Rule 13.84 of the Listing Rules, and is accordingly qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Deposit Services.

BASIS OF OUR OPINION

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

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the principal factors and reasons as set out below.

1. Background of Founder Finance

(a) Business scope

Founder Finance is a non-banking financial institution and an indirect wholly-owned subsidiary of Peking Founder established in the PRC since September 2010 with the approval of PBC. It is subject to the supervision of CBRC. According to its business license, Founder Finance is authorised to provide the Group with all the services set out in the Financial Service Agreement.

LETTER FROM CHINA EVERBRIGHT

(b) Stringent regulatory and internal control environment

As stated in the letter from the Board, Founder Finance is subject to stringent regulations and is regulated by PBC and CBRC. CBRC's supervision includes regular examination of the audited financial statements and other relevant materials required to be filed by group finance companies as well as on-site inspections and interviews with the senior management of group finance companies. To ensure compliance with the applicable laws and regulations, CBRC has powers to issue corrective and/or disciplinary orders and to impose penalties and/or fines on group finance companies.

As far as the Directors are aware, Founder Finance has established internal control and risk management systems in accordance with the relevant PRC financial services rules and regulations. As advised by the Company, different committees and departments, including but not limited to, risk control committee, audit committee, credit department, risk management department and internal audit department have been set up by Founder Finance for maintaining the risk management function and internal control environment. Policies and operation manuals for important functions, including but not limited to, credit analysis, loan businesses and risk classification of assets, have been in place for maintaining proper internal control functions. In addition, CBRC requires the directors and the senior management of the finance companies, including Founder Finance, to have solid fund management and finance experience. The appointments of all directors and senior management of the finance companies are approved by CBRC based on their background and experience. CBRC also requires the finance companies to have not less than one-third of employees who possess over five years of relevant experience in financial industry. These regulations of CBRC would ensure that the operations of Founder Finance are supported by suitable management team and experienced personnel.

As mentioned in the letter from the Board of the Circular, Founder Finance shall ensure the prudent management of its business, the strict compliance with the risk control indicators for financial institutions issued by the CBRC, and that its monitoring indicators such as the gearing ratio and the liquidity ratio have also complied with the requirements of the CBRC. Based on the above, we concur with the Directors' view that Founder Finance is eligible to provide the Deposit Services to the Group and has exercised and established stringent internal control measures to ensure effective risk management and compliance with all relevant laws and regulations.

In addition, as effective measures for monitoring potential risks involved in the Deposit Services, the Company shall review the ratio of the Group's deposit and loans with Founder Finance quarterly, so as to evaluate the risk of placing deposits with Founder Finance. The external auditors of the Company will review the transactions contemplated under the Financial Services Agreement and report the factual findings to the Board on an annual basis pursuant to the relevant requirements of the Listing Rules.

LETTER FROM CHINA EVERBRIGHT

(c) *Financial condition*

Founder Finance has not conducted any substantial business activities since its incorporation. Summarised below is the key financial information of Founder Finance as extracted from the management accounts as provided by the management for the period since 17 September 2010 (the date of its incorporation) and ended/as at 31 October 2010 prepared in accordance with the PRC Generally Accepted Accounting Principles:

**For the period since 17
September 2010 (the date of its
incorporation) and ended/as at
31 October 2010**
approx. RMB'000
(unaudited)

Turnover (<i>note</i>)	465
Profits before tax	219
Net income	219
Bank deposits and central bank reserves	293,951
Total assets	300,219
Net assets	300,219

Note: turnover represents interest income during the period

It is noted from the above financial information, in particular, (i) net assets amounted to over RMB300 million as at 31 October 2010; and (ii) bank deposits and central bank reserve represented (1) approximately 98% of total assets and (2) approximately 98% of net assets as at 31 October 2010, it is considered that Founder Finance recorded a solid balance sheet. Based on the latest financial condition, we considered Founder Finance has sufficient fund to fulfill its obligations contemplated under the Deposit Services.

We further noted from the major key performance metrics of Founder Finance as provided by the Company and as set out below, we considered that the operational condition of Founder Finance is satisfactory comparing to the thresholds which trigger the termination of the Financial Services Agreement as further discussed in the section headed "Terms of the Deposit Services contemplated under the Financial Services Agreement" below.

As at 31 October 2010

The capital adequacy ratio	N/A (Registered capital of RMB300 million with no risk bearing asset/business)
The non-performing assets ratio	N/A (No non-performing assets)
The bad loan ratio	N/A (No bad loans)
The asset loss reserve adequacy ratio	N/A (No risk bearing assets and relevant provisions)

LETTER FROM CHINA EVERBRIGHT

As at 31 October 2010

The loan loss reserve adequacy ratio	N/A (No outstanding loans and relevant provisions)
The liquidity ratio	N/A (No current liabilities)
The self-owned fixed assets to total capital ratio	1.9%
The short-term securities investment to total capital ratio	0%
The long-term investment to total capital ratio	0%
The borrowed capital to total capital ratio	0%
The guarantee risk exposure to total capital ratio	0%

Taking into account of (i) the above factors did not exceed the thresholds which would trigger the termination of the Financial Services Agreement; (ii) as advised by the Company, Founder Finance did not have any non-compliance of any of the above operation conditions since the date of its incorporation; and (iii) the relevant financial indicators of Founder Finance complied with the requirements of the CBRC, we concur with the Directors' view that Founder Finance is in a good financial condition to provide the Deposit Services to the Group.

2. Reasons for procuring Deposit Services contemplated under the Financial Services Agreement

As mentioned in the annual report of the Company for the year ended 31 December 2009 ("2009 Annual Report"), given the continuous sign of recovery of the economy of the PRC, the management will closely monitor changes in the PRC's economy and its IT market. The Group will continue the development of innovative solutions and provide the customers with more cost-effective products and solutions to meet the customers' demands for enhancing their competitiveness. As mentioned in the interim report of the Company for the six months ended 30 June 2010 ("2010 Interim Report"), after several years of development of digital broadcasting systems for various major PRC TV stations, the Group has achieved good progress in building up the know-how and technology in this area and therefore enjoyed a commanding position in this industry. In addition, under the trend of digital publishing and non-paper newspaper, the Group continued to provide application solutions for PRC publishing companies so as to capture this opportunity and meet the customers' needs. As advised by the Directors, the abovementioned strategies are expected to bring forth significant sales increase and thus strong cashflow, which will intensify the need for fund management within the Group in an efficient and effective manner.

As stated in the letter from the Board of the Circular, the PRC laws do not permit companies, including subsidiaries and associates, other than regulated financial institutions, to extend intra-group loans directly. Any such loan must be directed through a regulated financial institution. Accordingly, the Group requires the assistance and cooperation of a regulated financial institution such as licensed banks in the PRC or finance companies for establishment of the treasury platform. The Directors considered that the use of Founder Finance as a vehicle to manage the funds of the Group would facilitate a more efficient deployment of funds among members of the Group, which is critical for improving capital management efficiency of the Group.

LETTER FROM CHINA EVERBRIGHT

The subsidiaries of the Group place bank deposits and maintain business relationships with different PRC licensed banks. The Directors considered that maintaining such a strong relationship with and gaining a continuous support from those banks is critical to the present and future operations of the Group. However, given that different banks have different business strategies, it is difficult for the Group to coordinate different banks and their relevant branches to serve the Group with an integrated implementation plan and it is also impossible for the various banks to set up a common treasury platform for the Group. As advised by the Directors, the existing fund management system faces unnecessary logistical difficulties and might not be efficient in deploying funds within the Group. Moreover, as (i) the operations of Founder Finance are supported by suitable management team and experienced personnel, as discussed in the section headed “1. Background of Founder Finance” above; (ii) Founder Finance, being a member of the Peking Founder Group, shares the same strategies, background and culture with other members of the Peking Founder Group; and (iii) Founder Finance has a strong focus on the businesses of the Peking Founder Group, including IT business, medical businesses and security business, we concur with the Directors’ view that Founder Finance would have a better understanding of the Group’s operations which should render more expedient and efficient services than other commercial banks in the PRC.

As advised by the management of the Company, funds deposited with Founder Finance can be freely withdrawn at any time on demand of the Company. In addition, the Company utilises the Deposit Services on a voluntary and non-exclusive basis and is not obliged to engage Founder Finance for any particular services, or at all under the Financial Services Agreement. Founder Finance is merely one of a number of financial institutions which may provide financial services to the Group. On this basis, the Directors consider that the appointment of Founder Finance will provide an additional important platform for the Group to implement efficient capital management and will therefore be beneficial to the Group as a whole.

Pursuant to the relevant regulations of PBC and CBRC, the customers of Founder Finance are limited to members of the Peking Founder Group and its associates, which effectively reduce the risks that Founder Finance may otherwise be exposed to if its customers include other entities unrelated to Peking Founder. However, Founder Finance faces the problem of concentration of business risk. We have discussed with the Company regarding the financial weakness of Founder Finance and the risks to the Company in relation thereto. The Company is of the view that it is an inherent risk faced by Founder Finance, but the risks are not very high as (i) most of the customers of Founder Finance (including the Group) are engaged in various principal business operations, i.e., IT business, medical businesses and security business, which are relatively diversified; and (ii) income received from IT business, medical businesses and security business is relatively stable with very little impact from seasonal factors and macro-economical environment. Moreover, given the risks to the Group can be effectively mitigated by (i) the right of set off enjoyed by the Group; and (ii) the Guarantee (which will be discussed in detail below respectively), we concur with the Directors’ view that the Deposit Services would not lead the deposits of the Group to excessive risk.

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As set out in the letter from the Board of the Circular, the arrangements under the Financial Services Agreement would allow a certain degree of concentration of the Group's deposited funds. However, the procuring the Deposit Services (1) would expedite the monitoring of the use and application of funds within the Group; (2) is subject to the Deposit Cap, i.e. maximum daily outstanding balance of deposits, which only represented a maximum of approximately 36% of the cash and cash equivalents of the Group as at 31 December 2009; (3) would provide the Group with a higher bargaining power (than when the deposited sum was split between financial institutions) with regard to terms and interest rates of the Deposit Services. In addition, having considered the above, in particular, (i) effective fund management is essential for the development of the Group; (ii) Founder Finance is a licensed finance company subject to stringent regulations promulgated by PBC and CBRC; (iii) the Company utilises the Deposit Services on a voluntary and non-exclusive basis; and (iv) the appointment of Founder Finance will, in the opinion of the management of the Company, provide higher efficiency in fund deployment within the Group as compared to other independent financial institutions, we concur with the Directors' view that the benefits for procuring the Deposit Services outweighs its potential inherent risk, and the Deposit Services contemplated under the Financial Services Agreement are entered into in the ordinary and usual course of business, and are in the interests of the Company and the Shareholders as a whole.

3. Terms of the Deposit Services contemplated under the Financial Services Agreement

On 3 December 2010, the Company, Founder Finance and Peking Founder (as guarantor) entered into the Financial Services Agreement, pursuant to which Founder Finance has agreed, subject to the terms and conditions therein, to provide the Deposit Services to the Group on a non-exclusive basis.

The Financial Services Agreement

1. Date

3 December 2010

2. Effective Date and the Term

The Financial Services Agreement shall become effective on 1 January 2011 (or upon satisfaction of all condition precedents if later) until 31 December 2013.

3. Parties

- (a) the Company (as services user);
- (b) Founder Finance (as services provider); and
- (c) Peking Founder (as guarantor).

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4. *Major Terms of the Deposit Services*

Pursuant to the Financial Services Agreement, Founder Finance will, among other things, provide RMB deposit services to the Group. The Group will open and maintain RMB deposit accounts with Founder Finance. The interest rates on the Deposit Services offered by Founder Finance to the Group will not be lower than those offered by other PRC financial institutions, subject to the standard RMB deposit rates promulgated by PBC from time to time.

The Group may obtain financial services from other financial institutions in addition to those provided by Founder Finance pursuant to the Financial Services Agreement.

In the event that the Group suffers any financial loss by reason of the default of Founder Finance, Founder Finance shall compensate the Group for such loss suffered by the Group in accordance with the rules and regulations of PBC.

Under the Financial Services Agreement, the Group will have a right of set off such that, in the event of any default by Founder Finance in respect of amounts deposited with it by the Group and causing it not being able to recover such deposits, the Group will be able to offset the amounts owing from the Group to Founder Finance against the amounts due to the Group from Founder Finance. Likewise, in the event of any default in repayment by the Group in respect of loans procured from Founder Finance, Founder Finance will be able to offset the amounts deposited with it by the Group against the amounts owing from the Group to Founder Finance.

5. *Conditions Precedent*

The conditions precedent of the Financial Services Agreement have been set out in the letter from the Board of the Circular.

6. *Termination*

The Financial Services Agreement shall not be terminated by any of the parties unilaterally.

In addition to the default events provided by the Contract Laws of the PRC, the Financial Services Agreement will be terminated with immediate effect if Founder Finance failed to satisfy any operation condition (as currently required by the CBRC) as follows:

- (a) the capital adequacy ratio is not less than 10%;
- (b) the non-performing assets ratio is not more than 4%;
- (c) the bad loan ratio is not more than 5%;
- (d) the asset loss reserve adequacy ratio is not less than 100%;

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- (e) the loan loss reserve adequacy ratio is not less than 100%;
- (f) the liquidity ratio is not less than 25%;
- (g) the self-owned fixed assets to total capital ratio is not more than 20%;
- (h) the short term securities investment to total capital ratio is not more than 40%;
- (i) the long term investment to total capital ratio is not more than 30%;
- (j) the borrowed capital to total capital ratio is not more than 100%; or
- (k) the guarantee risk exposure to total capital ratio is not more than 100%.

Upon termination of the Financial Services Agreement, the Group may withdraw its deposits with Founder Finance at any time. Should there be any outstanding loans owing from the Group pursuant to the Loan Services, the Group may negotiate with Founder Finance with regard to the loan repayment schedule.

7. *Guarantee*

Peking Founder has provided the Guarantee to the Company in the Financial Services Agreement, pursuant to which Peking Founder has undertaken to the Company that:

- (a) it will maintain its controlling interest in Founder Finance and ensure that Founder Finance will operate under its prescribed scope of business;
- (b) it shall use its best endeavours and all probable and reasonable means to ensure that Founder Finance will fulfil its obligations under the Financial Services Agreement;
- (c) in the event that Founder Finance has difficulties in repaying any money to the Group, Peking Founder will increase the working capital of Founder Finance in order to enable it to fulfil its obligations under the Financial Services Agreement; and
- (d) Peking Founder undertakes and warrants to compensate the Group jointly and severally with Founder Finance for all (if any) financial losses (including but not limited to the Group's deposits, interests and related expenses incurred) caused by Founder Finance's breaches or potential breaches of PRC laws and regulations, or by it having or potentially having any major operational problems or difficulties with liquidity, or by its non-performance of any terms or default under the Financial Services Agreement.

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As advised by the Company, summarised below is the key financial information of the Peking Founder Group as extracted from the audited financial statements for the year ended/as at 31 December 2009 and the management accounts for the six months ended/as at 30 June 2010 prepared in accordance with the PRC accounting principles:

	For the year ended/as at		For the period
	31 December		ended/as at
	2008	2009	30 June
	<i>approx.</i>	<i>approx.</i>	<i>approx.</i>
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	(audited)	(audited)	(unaudited)
Net profit	1,016	1,067	467
Net assets	7,775	8,670	9,124

It is noted from the above financial information that the Peking Founder Group has had a very strong asset base and healthy income performance. Based on the financial condition, we considered that Peking Founder is eligible to fulfill its Guarantee obligations contemplated under the Financial Services Agreement.

Given that (i) the deposit interest rates to be offered to the Company or its respective subsidiaries of the Company by Founder Finance will be determined in accordance with the standard RMB deposit rates promulgated by the PBC from time to time; (ii) the interest rates on the Deposit Services offered by Founder Finance to the Group will not be lower than those offered by other PRC financial institutions; (iii) the Company can terminate the Financial Services Agreement and withdraw all deposits placed with Founder Finance if Founder fails to maintain healthy operational metrics; (iv) the right of set off enjoyed by the Group; and (v) sufficient guarantee is placed by Peking Founder to protect the Company against potential risks for procuring the Deposit Services, we concur with the Directors' view that the respective terms in relation to Deposit Services contemplated under the Financial Services Agreement are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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4. Proposed Deposit Cap

The Board proposed the Proposed Deposit Cap in respect of the maximum daily outstanding balance of deposits (including accrued interest) placed by the Group with Founder Finance:

Subject matter	Proposed Deposit Cap	Basis of determination of the Proposed Deposit Cap
Deposit Services	RMB100 million, RMB110 million and RMB121 million on a daily basis for the three years ending 31 December 2013, respectively	There has been no similar transaction between the Group and Founder Finance prior to the date of the Financial Services Agreement. The Proposed Deposit Cap has been determined with reference to a number of factors including (i) the increasing asset scale and anticipated amounts of the Group available for deposit; (ii) the expected amount of interest income from Founder Finance compared with interest income that could otherwise be obtained by placing deposits with other commercial banks; and (iii) the strategies for treasury management of the Company taking into account the business development plans and financial needs of the Group.

To assess the fairness and the reasonableness, we have discussed with the Company the basis and assumptions for purpose of determining the Proposed Deposit Cap and further discussed the estimated growth in cash flow.

According to the 2009 Annual Report and the 2010 Interim Report, the cash and cash equivalents of the Group amounted to approximately HK\$277.4 million, HK\$333.0 million and HK\$152.6 million as at 31 December 2008, 31 December 2009 and 30 June 2010 respectively. It is demonstrated that the business of the Group involves handling of large amounts of cash and cash equivalents, thus the Group has a strong demand for the Deposit Services.

As mentioned in the 2009 Annual Report, given the continuous sign of recovery of the economy of the PRC, the management will closely monitor changes in the PRC's economy and its IT market. The Group will continue the development of innovative solutions and provide the customers with more cost-effective products and solutions to meet the customers' demands for enhancing their competitiveness. As mentioned in the 2010 Interim Report, after several years of development of digital broadcasting systems for various major PRC TV stations, the Group has achieved good progress in building up the know-how and

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technology in this area and therefore enjoyed a commanding position in this industry. In addition, under the trend of digital publishing and non-paper newspaper, the Group continued to provide application solutions for PRC publishing companies so as to capture this opportunity and meet the customers' needs. The Directors considered the abovementioned strategy will bring in significant expansion of operational scale and improvement in operational performance of the Group in coming years.

The Proposed Deposit Cap is calculated based on a 10% increasing rate per annum which take into account, among other things, the increasing asset scale and anticipated amounts of the Group available for deposit. According to the National Bureau of Statistics of the PRC, from 2000 to 2008, the PRC nominal GDP grew from RMB9.9 trillion to RMB30.1 trillion and nominal GDP per capita grew from RMB7,858 to RMB22,698, representing a compound annual growth rate of approximately 14.9% and 14.2% respectively. As advised by the Directors, the continuous growth in the PRC's economy will continue to drive the demand of IT services. As discussed, given stronger operational scale and improving performance is expected, resulted significant sales increase and thus strong cashflow will intensify the demand for the Deposit Services.

In light of the conditions attached to the Financial Services Agreement, in particular, (1) the restriction of the maximum daily outstanding balance of deposits (including accrued interest) to be placed by the Group with the Founder Finance by way of the Proposed Deposit Cap; (2) the ongoing review by the independent non-executive Directors and auditors of the Company regarding the terms of the Financial Services Agreement; and (3) the continuing review by the auditors of the Company confirming the Proposed Deposit Cap not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Financial Services Agreement and safeguard the interests of the Independent Shareholders.

Having assessed the basis of determination of the Proposed Deposit Cap, coupled with (i) the business strategy of the Company; and (ii) continuous growth in the PRC economy, we considered that the Proposed Deposit Cap stipulated under the Financial Services Agreement is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

5. Requirements of the Listing Rules on the Deposit Services

Pursuant to Rules 14A.37 to 14A.40 of the Listing Rules, the Deposit Services are subject to the following annual review requirements:

- a. each year the independent non-executive Directors must review the Deposit Services and confirm in the annual report and accounts that the Deposit Services have been entered into:
 - (i) in the ordinary and usual course of business of the Group;

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- (ii) either on normal commercial terms or, if there are not sufficient comparable continuing connected transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
 - (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- b. each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report) confirming that the Deposit Services:
 - (iv) have received the approval of the Board;
 - (v) are in accordance with the pricing policies of the Group;
 - (vi) have been entered into in accordance with the terms of the relevant agreements governing the Deposit Services; and
 - (vii) have not exceeded the Proposed Deposit Cap;
- c. the Company shall allow, and shall procure the relevant counter-parties to the Deposit Services to allow, the Company's auditors sufficient access to their records for the purpose of reporting on the Deposit Services as set out in paragraph (b); and
- d. the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (a) and (b) respectively.

In light of the reporting requirements attached to the Deposit Services, in particular, (i) the restriction of the daily outstanding balance of the Deposit Services by way of the Proposed Deposit Cap; and (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms of the Deposit Services and the Proposed Deposit Cap not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Deposit Services and safeguard the interests of the Independent Shareholders.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the terms of transactions contemplated under the Deposit Services, including the Proposed Deposit Cap, are on normal commercial terms, in the ordinary and usual course of business of the Company, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and the Proposed Deposit Cap are fair and reasonable so far as the Independent Shareholders are concerned.

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Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to approve the Deposits Services and the Proposed Deposit Cap at the SGM.

Yours faithfully,
For and on behalf of
China Everbright Capital Limited

Alvin Kam
Director

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 were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the 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 <i>HK\$</i>
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 <i>HK\$</i>
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 were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules.

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

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register of interests maintained by the Company pursuant to section 336 of the SFO and 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 other person 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 member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation, other than statutory compensation).

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial position or trading prospects of the Company since 31 December 2009, the date to which the latest published audited consolidated financial statements of the Company were made up.

6. EXPERT AND CONSENT

China Everbright 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 the SFO.

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

As at the Latest Practicable Date, China Everbright 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.

China Everbright 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.

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. GENERAL

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

9. 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 12 January 2011, 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 Financial Services Agreement;
- (iv) the letter from the Independent Board Committee dated 24 December 2010, the text of which is set out on page 18 of this circular;
- (v) the letter from China Everbright dated 24 December 2010, the text of which is set out on pages 19 to 32 of this circular; and
- (vi) the letter of consent from China Everbright referred to in the paragraph headed “Expert and Consent” 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 10:00 a.m. on Wednesday, 12 January 2011 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 terms of the Deposit Services and the Proposed Deposit Cap for the three years ending 31 December 2013 be and are hereby approved; and
- (b) 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 terms of the Deposit Services, the Proposed Deposit Cap for the three years ending 31 December 2013, and the transactions contemplated thereunder.”

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

Hong Kong, 24 December 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 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.

* *For identification purpose only*

NOTICE OF SGM

3. In order to be valid, the instrument appointing a proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority must be deposited at the principal place of business of the Company in Hong Kong at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong not less than 48 hours before the time for holding the meeting or any adjournment thereof.
4. In accordance with Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, Peking University Founder Group Company Limited is required to abstain from voting on the above ordinary resolution.
5. The ordinary resolution as set out above will be determined by way of a poll.