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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** as to any aspect of this circular, you should consult a stockholder 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 transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**(1) ADVANCE TO AN ENTITY, MAJOR TRANSACTION AND  
CONTINUING CONNECTED TRANSACTIONS:  
ENTRUSTED LOAN MASTER AGREEMENT; AND  
(2) REFRESHMENT OF THE SCHEME MANDATE LIMIT UNDER  
THE SHARE OPTION SCHEME**

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



**China Everbright Capital Limited**

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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 China Everbright Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 24 of this circular.

A notice convening the special general meeting to be held at 11:45 a.m. on Tuesday, 6 December 2011 at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong is set out on pages 32 to 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

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

“Announcement”	the announcement made by the Company dated 1 November 2011;
“associates”	has the meaning as ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Company”	Founder Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00418);
“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;
“Directors”	the director(s) of the Company;
“EC-Founder”	EC-Founder (Holdings) Company Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00618);
“EC-Founder Group”	EC-Founder and its subsidiaries;
“Entrusted Loan Master Agreement”	the master agreement dated 1 November 2011 entered into between the Company and Peking Founder, pursuant to which the Group would, subject to certain conditions, provide short-term loans through a financial institution (to be designated by the parties and being an independent third party to the Company and the connected persons) to Peking Founder Group;
“Founder Information”	Founder Information (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of Peking Founder;
“Group”	the Company and its subsidiaries;
“HK\$”	means Hong Kong dollars;
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China;

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## DEFINITIONS

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“Independent Board Committee”	the independent committee of the Board comprising Mr Li Fat Chung, Ms Wong Lam Kit Yee and Mr Fung Man Yin Sammy, being all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders on the terms of the Entrusted Loan Master Agreement (including its proposed annual caps for the three years ending 31 December 2014);
“Independent Financial Adviser” or “China Everbright”	China Everbright Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Entrusted Loan Master Agreement and its annual caps;
“Independent Shareholders”	the shareholders of the Company other than Peking Founder and its associates;
“Latest Practicable Date”	14 November 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange;
“Peking Founder”	北大方正集團有限公司(Peking University Founder Group Company Limited*), a company established in the PRC with limited liabilities, the controlling shareholder of the Company, 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;
“Refreshed Limit”	the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme(s) of the Company, being 10% of the Shares in issue as at the date of approving such Refreshed Limit by the Shareholders passing an ordinary resolution at the SGM;
“RMB”	Renminbi, the lawful currency of the PRC;

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## DEFINITIONS

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“Scheme Mandate Limit”	the maximum number of Shares which may be issued upon exercise of all options granted or to be granted under the Share Option Scheme and any other scheme(s) of the Company, being 10% of the Shares in issue on 24 May 2002 (the date on which the Share Option Scheme was adopted);
“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), if thought fit, the Entrusted Loan Master Agreement and its annual caps and for the Shareholders to consider and approve, if thought fit, the refreshment of the Scheme Mandate Limit under the Share Option Scheme;
“Share(s)”	the ordinary shares of HK\$0.1 each in the issued share capital of the Company;
“Share Option Scheme”	the share option scheme adopted by the Company on 24 May 2002;
“Shareholder(s)”	holder(s) of the Share;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the same 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 = RMB0.833 in this circular.*

*\* For identification purpose only*

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## LETTER FROM THE BOARD

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# 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  
Ms Wong Lam Kit Yee  
Mr Fung Man Yin Sammy

*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

17 November 2011

*To the Shareholders*

Dear Sir or Madam,

**(1) ADVANCE TO AN ENTITY, MAJOR TRANSACTION AND  
CONTINUING CONNECTED TRANSACTIONS;  
ENTRUSTED LOAN MASTER AGREEMENT; AND  
(2) REFRESHMENT OF THE SCHEME MANDATE LIMIT UNDER  
THE SHARE OPTION SCHEME**

### 1. INTRODUCTION

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

The purpose of this circular is to provide you with further details of the Entrusted Loan Master Agreement and details of the the proposed refreshment of the Scheme Mandate Limit under the Share Option Scheme, the letter of advice from the Independent Board Committee, the letter of advice from the Independent Financial Adviser and the notice of SGM.

\* For identification purpose only

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## LETTER FROM THE BOARD

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### 2. ENTRUSTED LOAN MASTER AGREEMENT

#### **Date**

1 November 2011

#### **Parties**

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

#### **Entrusted loans to be provided by the Company**

The Company entered into an entrusted loan master agreement on 15 July 2009 with Peking Founder which will expire on 31 December 2011. Accordingly, the Company has entered into the Entrusted Loan Master Agreement with Peking Founder pursuant to which the Group would provide subject to certain conditions short-term loans through a financial institution (to be designated by the parties and being an independent third party to the Company and its connected persons) to Peking Founder Group. Such loans will be unsecured and interest-bearing at the prevailing benchmark RMB lending interest rate for loan period of six months offered by The People's Bank of China ("PBOC") plus 15% of such rate. For example, if the prevailing benchmark RMB lending interest rate as quoted by the PBOC is 5% per annum, the interest rate for the entrusted loans would be 5.75% per annum. Under the Entrusted Loan Master Agreement, no collateral was provided by Peking Founder to the Company. Separate entrusted loan agreements will be entered into between the Group, Peking Founder Group and the designated financial institution upon request by Peking Founder pursuant to the terms and conditions of the Entrusted Loan Master Agreement.

#### **Period**

The Entrusted Loan Master Agreement will, subject to satisfaction of the conditions precedent set out below, commence on 1 January 2012 for a term of three years and expire on 31 December 2014.

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## LETTER FROM THE BOARD

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### Historical figures and annual caps for the entrusted loans

The following table sets out the historical figures of the average entrusted loans (representing the average balance of the principal and interests of the relevant entrusted loans) for each of the two years ended 31 December 2010 and nine months ended 30 September 2011, historical annual caps for each of the three years ending 31 December 2011, and the proposed annual caps for the entrusted loans under the Entrusted Loan Master Agreement (representing the maximum balance of the principal and interests of the relevant entrusted loans) for the each of three years ending 31 December 2014:

	Year ended 31 December 2009 <i>RMB'000</i>	Year ended 31 December 2010 <i>RMB'000</i>	Nine months ended 30 September 2011 <i>RMB'000</i>	Year ending 31 December 2011 <i>RMB'000</i>	Year ending 31 December 2012 <i>RMB'000</i>	Year ending 31 December 2013 <i>RMB'000</i>	Year ending 31 December 2014 <i>RMB'000</i>
Historical figures	132,978	112,796	80,460	N/A	N/A	N/A	N/A
Historical annual caps	175,000	181,125	N/A	187,464	N/A	N/A	N/A
Proposed annual caps	N/A	N/A	N/A	N/A	199,000	205,965	213,174

The maximum daily outstanding amount of the entrusted loan (including principal and interests) for each of the two years ended 31 December 2010 and the nine months ended 30 September 2011 were RMB171.9 million, RMB191.9 million and RMB81.1 million respectively.

The annual cap amounts for the Entrusted Loan Master Agreement are determined based on average cash and bank balance available of a subsidiary of the Group and its average total monthly net profit/loss for the nine months ended 30 September 2011. As the average cash and bank balance available of the relevant subsidiary of the Group for 2009 and 2010 increased by approximately 6% year-to-year, the proposed annual cap for the year ending 31 December 2012 is determined at the amount at approximately 6% higher than the annual cap for the year ending 31 December 2011. It is expected that there will be a 3.5% annual increase in the subsidiary's cash and bank balance from 2012 to 2014. Based on the above, the relevant annual caps are set in the amount of RMB199 million, RMB205.965 million and RMB213.174 million respectively for the three years ending 31 December 2014.

### Repayment term

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



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## LETTER FROM THE BOARD

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### Events of default

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

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

### Conditions

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

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

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## LETTER FROM THE BOARD

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### **Reasons and benefit to the Group**

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

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

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

As at 30 June 2011, the Group's interest-bearing bank borrowings were approximately HK\$100.3 million, out of which a RMB denominated bank borrowing of RMB51.5 million (equivalent to approximately HK\$61.8 million) is attributable to the relevant subsidiary of the Group. The balance of the entrusted loan provided by the Group to Peking Founder Group varies from time to time. As at 30 June 2011, the balance of such entrusted loan is nil and therefore all of the interest-bearing bank borrowings of the relevant subsidiary of the Group forms part of idle cash of the Group. Nevertheless, the Group will consider utilizing its banking facilities to provide entrusted loan to Peking Founder from time to time if it considers that (i) the interest income from Peking Founder would cover all necessary interest expenses to be incurred by the Group; (ii) the return from the entrusted loan is higher than the return from bank deposits and (iii) the Group will not bear additional liquidity risks.

The terms of the Entrusted Loan Master Agreement, including the interest rate applicable, were agreed by the parties after arm's length negotiations having taken into account the prevailing market interest rates and practices. The Directors consider that the interest rate under the Entrusted Loan Master Agreement is favourable to the Group and the provision of the entrusted loans to Peking Founder Group could generate a higher return for the idle surplus cash of the Group. Taken into consideration the creditworthiness of Peking Founder Group and its sound financial performance in the past that Peking Founder Group has never defaulted in repayment of the entrusted loans granted by the Group, the Directors consider that the entrusted loan arrangement will definitely bring in more value to the Shareholders as a whole by enhancing the monetary return of the Group's surplus funds generated from operations. Based on the above, the Directors consider that the terms of the Entrusted Loan Master Agreement and the transactions contemplated therein are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders

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## LETTER FROM THE BOARD

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are concerned though not in the ordinary and usual course of business of the Group but are in the interests of the Company and the Shareholders as a whole.

### **Listing Rules Implications**

Peking Founder is the controlling shareholder of the Company holding approximately 32.49% of the issued share capital of the Company, and thus a connected person of the Company for the purposes of the Listing Rules. Accordingly, the transactions contemplated under the Entrusted Loan Master Agreement will constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules. Further, provision of the entrusted loans under the Entrusted Loan Master Agreement may also constitute (i) advance to an entity under Rule 13.13 of the Listing Rules, (ii) financial assistance provided by the Company not in the ordinary and usual course of business and a major transaction under Chapter 14 of the Listing Rules. Since one or more of the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules in respect of the Entrusted Loan Master Agreement exceeds 25%, the transactions contemplated under the Entrusted Loan Master Agreement shall be subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **3. PROPOSED REFRESHMENT OF THE SCHEME MANDATE LIMIT**

As at 24 May 2002, being the adoption date of the Share Option Scheme, the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme was 112,379,989 Shares, being 10% of the Shares in issue on the date which the Share Option Scheme was adopted.

As at the Latest Practicable Date, out of the total of 90,000,000 options granted under the Share Option Scheme (including exercised, outstanding, cancelled or lapsed) subsequent to 24 May 2002, 6,500,000 options were exercised, 32,000,000 options were outstanding, and 51,500,000 options were lapsed.

Unless the Scheme Mandate Limit is refreshed at the SGM, up to 73,879,989 Shares may be issued pursuant to the grant of further options under the existing Scheme Mandate Limit. It is proposed that subject to the approval of the Shareholders at the SGM and such other requirements prescribed under the Listing Rules, the limit on grant of options under the Share Option Scheme will be increased to the Refreshed Limit and, options previously granted under the Share Option Scheme or any other share option scheme(s) of the Company (including those exercised, outstanding, cancelled or lapsed in accordance with the Share Option Scheme or such other scheme(s) of the Company) will not be counted for the purpose of calculating the limit as refreshed.

Pursuant to the Listing Rules, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company at any time will not exceed 30% of the Shares in issue from time to time. No options shall be granted under any scheme(s) of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded. As at the Latest Practicable Date, the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised was 32,000,000, representing approximately 2.83% of the existing issued share capital of the Company.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, there were 1,130,299,893 Shares in issue. Assuming that no further Shares will be issued or repurchased prior to the date of approving the refreshment of the Scheme Mandate Limit by the Shareholders, the maximum number of Shares which fall to be issued upon exercise of all options that may be granted by the Company under the Refreshed Limit would be 113,029,989 Shares, representing 10% of the Shares in issue as at the date of the approval of the proposed refreshment of the Scheme Mandate Limit to the Refreshed Limit by the Shareholders at the SGM. No outstanding share options of the Company will be lapsed as a result of the refreshment of the Scheme Mandate Limit. Save for the Share Option Scheme, the Company has no other share option scheme(s) as at the Latest Practicable Date.

The Directors consider that, in order to provide the Company with greater flexibility in granting options to eligible person(s) under the Share Option Scheme, the Board decides to seek the approval of the Shareholders to refresh the Scheme Mandate Limit so that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other scheme(s) of the Company shall not exceed the Refreshed Limit.

### **Conditions**

As required by the Share Option Scheme and the Listing Rules, an ordinary resolution will be proposed at the SGM to approve the Refreshed Limit such that the total number of securities which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme(s) of the Company must not exceed the Refreshed Limit.

The adoption of the Refreshed Limit is conditional upon:

- (a) the Shareholders passing an ordinary resolution to approve the Refreshed Limit at the SGM; and
- (b) the Stock Exchange granting the approval of the listing of, and permission to deal in, the new Shares to be issued, pursuant to the exercise of any options that may be granted under the Share Option Scheme under the Refreshed Limit.

### **Application for Listing**

Application will be made to the Stock Exchange for the granting of the approval of the listing of, and permission to deal in, the new Shares which fall to be issued upon the exercise of any options that may be granted pursuant to the Share Option Scheme under the Refreshed Limit.

## **4. SGM**

A notice convening the SGM to be held at 11:45 a.m. on Tuesday, 6 December 2011 at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong is set out on pages 32 to 33 of this circular for the purpose of considering and, if thought fit, passing the ordinary resolutions in relation to (i) the Entrusted Loan Master Agreement and (ii) the refreshment of the Scheme Mandate Limit under the Share Option Scheme.

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## LETTER FROM THE BOARD

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The ordinary resolutions to be proposed at the SGM will be determined by way of poll by the Shareholders. Any shareholder with a material interest in the Entrusted Loan Master Agreement and his/her/its associates will abstain from voting on the relevant resolution. Accordingly, 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 in relation to the Entrusted Loan Master Agreement.

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

### 5. RECOMMENDATION

The Independent Board Committee, comprising all the independent non-executive Directors, has been appointed to advise the Independent Shareholders in connection with the terms of the transactions contemplated under the Entrusted Loan Master Agreement (including the proposed annual caps for the three years ending 31 December 2014).

China Everbright has been appointed to advise the Independent Board Committee and the Independent Shareholders on the Entrusted Loan Master Agreement (including the proposed annual caps for the three years ending 31 December 2014).

Except for (i) Professor Wei Xin is the chairman of Peking Founder, (ii) Mr Zhang Zhao Dong is a director and the president of Peking Founder, (iii) Professor Xiao Jian Guo is a director and the chief technical officer of Peking Founder; and (iv) being Directors and their respective interest in shares and share option in the Company and its associated corporations as disclosed in Appendix II of this circular, the Directors do not have material interest in the Entrusted Loan Master Agreement.

As (i) Professor Wei Xin is the chairman of Peking Founder, (ii) Mr Zhang Zhao Dong is a director and the president of Peking Founder, and (iii) Professor Xiao Jian Guo is a director and the chief technical officer of Peking Founder, each of Professor Wei Xin, Mr Zhang Zhao Dong and Professor Xiao Jian Guo has abstained from voting on the board resolution approving the Entrusted Loan Master Agreement.

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 Entrusted Loan Master Agreement are on normal commercial terms, the terms of the transactions contemplated under the Entrusted Loan Master Agreement and its proposed annual caps for the three years ending 31 December 2014 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, in relation to the Entrusted Loan Master Agreement, the Directors recommend the Independent Shareholders to vote in favour of the resolution set out in the notice of SGM enclosed to this circular.

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## LETTER FROM THE BOARD

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Further, the Directors also consider that the proposed refreshment of Scheme Mandate Limit under the Share Option Scheme is in the interests of the Company and the Shareholders as a whole and accordingly, recommend the Shareholders to vote in favour of the relevant resolution in relation to the proposed refreshment of Scheme Mandate Limit under the Share Option Scheme.

### 6. GENERAL

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

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

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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17 November 2011

*To the Independent Shareholders*

Dear Sir or Madam,

**ADVANCE TO AN ENTITY, MAJOR TRANSACTION AND  
CONTINUING CONNECTED TRANSACTIONS: ENTRUSTED LOAN  
MASTER AGREEMENT**

We refer to the circular dated 17 November 2011 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 the Independent Board Committee to consider the Entrusted Loan Master Agreement (including the proposed annual caps for the three years ending 31 December 2014) which require approval by the Independent Shareholders and to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the transactions contemplated under the Entrusted Loan Master Agreement and to recommend how the Independent Shareholders should vote at the SGM. China Everbright has been appointed to advise us, the Independent Board Committee, in relation to the Entrusted Loan Master Agreement (including the proposed annual caps for the three years ending 31 December 2014).

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 China Everbright to the Independent Board Committee containing its advice in respect of the Entrusted Loan Master Agreement (including the proposed annual caps for the three years ending 31 December 2014), as set out on pages 14 to 24 of the Circular.

Having taken into account of the principal factors and reasons considered by the Independent Financial Adviser and its conclusion and advice, we consider that transactions contemplated under the Entrusted Loan Master Agreement are on normal commercial terms, the terms of the transactions contemplated under the Entrusted Loan Master Agreement and the proposed annual caps for the three years ending 31 December 2014 for the Entrusted Loan Master 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. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the transactions contemplated under the Entrusted Loan Master Agreement and the proposed annual caps of such transactions for the three years ending 31 December 2014.

Yours faithfully,  
Independent Board Committee

**Li Fat Chung**  
*Independent non-executive  
Director*

**Wong Lam Kit Yee**  
*Independent non-executive  
Director*

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

\* For identification purpose only

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## LETTER FROM CHINA EVERBRIGHT CAPITAL LIMITED

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*The following is the text of the “Letter from China Everbright Capital Limited” to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.*



17 November 2011

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

Dear Sirs,

### **ADVANCE TO AN ENTITY, MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS: ENTRUSTED LOAN MASTER 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 provision of short-term RMB loans (“**Provision of Entrusted Loans**”) through a financial institution by the Group to Peking Founder in the PRC for a term of three years ending 31 December 2014 contemplated under the Entrusted Loan Master Agreement, details of which are set out in the letter from the Board (“**Letter from the Board**”) contained in the circular to the Shareholders dated 17 November 2011 (“**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 set out in the Letter from the Board, since the entrusted loan master agreement (“**Existing Entrusted Loan Master Agreement**”) dated 12 June 2009 and their respective annual caps will expire on 31 December 2011, the Entrusted Loan Master Agreement has been entered into between the Company and Peking Founder on 1 November 2011 in order to govern and specify the terms and conditions adopted and the proposed annual caps (“**Proposed Annual Caps**”) for the Provision of Entrusted Loans contemplated under the Entrusted Loan Master Agreement.

As at the Latest Practicable Date, Peking Founder, being the controlling shareholder of the Company, held approximately 32.49% of the issued share capital of the Company. As a result, Peking Founder is a connected person of the Company under the Listing Rules. The Provision of Entrusted Loans may constitute (i) advance to an entity under Rule 13.13 of the Listing Rules; (ii) financial assistance provided by the Company not in the ordinary and usual course of business; and (iii) a major transaction under Chapter 14 of the Listing Rules. In addition, as one or more of the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules in respect of the Proposed Annual Caps is more than 25%, the transactions contemplated under the Entrusted Loan Master Agreement are subject to the reporting, announcement, independent shareholders’ approval and annual review requirements under Chapter 14A of the Listing Rules.



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## LETTER FROM CHINA EVERBRIGHT CAPITAL LIMITED

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The Independent Board Committee, comprising all of three independent non-executive Directors, has been formed to consider whether (i) the terms of the Entrusted Loan Master Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group; and (ii) transactions contemplated under the Entrusted Loan Master Agreement, including the Proposed Annual Caps, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, 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.

Apart from normal professional fees for our services to the Company in connection with the engagement described above, no arrangement exists whereby we will receive any fees and benefits from the Group, the Peking Founder Group or any of their respective associates. We are 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 are accordingly qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Provision of Entrusted Loans.

### **BASIS OF OUR OPINION**

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

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

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our views in relation to the entering into of the Entrusted Loan Master Agreement, we have taken into consideration the principal factors and reasons as set out below. In reaching our conclusion, we have considered the results of the analysis in light of each other and ultimately reached our opinion based on the results of all analysis taken as a whole.

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## LETTER FROM CHINA EVERBRIGHT CAPITAL LIMITED

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(A) *Background of and reasons for the Entrusted Loan Master Agreement*

(i) Business and financial position of 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. As advised by the Management, the Group's media-related business has experienced a significant improvement due to the rapid growth and development in printing industry in China under the support by the government and traditional media such as newspaper publishers, television stations put more resources on improving their publishing and broadcasting systems in order to maintain their competitiveness in era of e-media. To deal with the business growth, the Group will closely monitor changes in China's economy and its IT market. The Group will continue the development of innovative solutions and provide its customers with more cost-effective products and solutions to meet its customers' demands for enhancing their competitiveness. In addition, the Group will closely monitor the performance of each business sector to achieve effective cost control and maximise shareholders' value. The Directors consider such strategies will enable the Group to generate more new business and better cash flow, which will create the need for fund management within the Group in an efficient and effective manner.

According to the 2011 interim report ("**2011 Interim Report**") of the Company, the Group had (i) total cash and cash equivalents of approximately HK\$273.6 million; and (ii) pledged deposits of approximately HK\$11.9 million as at 30 June 2011, respectively. As at 30 June 2011, the Group had approximately HK\$100.3 million interest-bearing bank borrowings with average interest rate of 3.38%. The Group's banking facilities were secured by corporate guarantees given by the Company and Peking Founder, the Government of the Hong Kong Special Administrative Region under the SME Loan Guarantee Scheme, certain of the Group's land and buildings, investment properties and bank deposits. Temporarily surplus cash of the Group is generally placed in short-term deposits denominated in Hong Kong dollars ("**HKD**"), RMB and United States dollars ("**USD**").

(ii) Historical provision of entrusted loan under the Existing Entrusted Loan Master Agreement

In order to achieve greater flexibility in the Group's cash management to enhance the return on its temporarily surplus cash available, on 15 July 2009, the Company, as the lender, entered into the Existing Entrusted Loan Master Agreement with Peking Founder, as the borrower, pursuant to which the Group would, subject to certain conditions, provide short-term RMB loans through a financial institution to be designated by the parties and being an independent third party to the Company and its connected persons (the "**Designated Financial Institution**") to the Peking Founder Group in the PRC. Such loans will be unsecured and interest-bearing at the prevailing benchmark RMB lending rate for loan period of six months offered by The People's Bank of China ("**PBOC**") plus 10% of such rate.

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## LETTER FROM CHINA EVERBRIGHT CAPITAL LIMITED

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Based on our discussion with the Management and the disclosure in the 2011 Interim Report, we noted that the accumulated entrusted loans in the amount of RMB270,000,000 (equivalent to approximately HK\$310,646,000) were provided to the Peking Founder Group for the year ended 31 December 2010. The entrusted loans were fully settled within six months upon the dates of the relevant entrusted loan agreements in accordance with the terms of the Existing Entrusted Loan Master Agreement. Through the Provision of the Entrusted Loans, interest income earned by the Group amounted to HK\$6,444,000 in 2010.

Through the above past entrusted loan transactions, the Management considers that Peking Founder Group has established good repayment record, and the Provision of Entrusted Loans can generate a higher return for the Group's surplus fund. The Management expects the Provision of Entrusted Loans will continue after 31 December 2011. In compliance with the continuing connected transaction requirements under the Listing Rules, the Directors propose to seek Independent Shareholders' approval for the Provision of Entrusted Loans for a term of three years up to 31 December 2014.

(iii) The financial return under the Entrusted Loan Master Agreement

According to the Entrusted Loan Master Agreement, the entrusted RMB loans provided by the Group will be interest-bearing at the prevailing benchmark RMB leading rate for a term of six months offered by PBOC plus 15% of such rate. As at the Latest Practicable Date, according to the official website of PBOC, the current benchmark RMB lending rate of loan for a term of six months offered by PBOC is 6.1%. As a result, for illustration purpose only, the interest rate of the entrusted RMB loans would be 7.015% per annum.

As advised by the Management, the Group adopts conservative treasury policies and controls tightly over its cash and risk management. The Group's cash and cash equivalents are held mainly in HKD, RMB and USD. Surplus cash is generally placed in short-term deposits denominated in HKD, RMB and USD. We are confirmed by the Management that the Group will only utilise its cash held in the PRC and denominated in RMB to provide entrusted RMB loan to Peking Founder Group in the PRC.

If the Group's cash held in the PRC and denominated in RMB cannot meet the demand of entrusted loan from Peking Founder Group, the Group may use its unutilized banking facilities in the PRC to sub-lend to Peking Founder Group. As estimated by the Management, the Group's cost of borrowing is prevailing benchmark RMB leading rate for a term of six months offered by PBOC plus 10% of such rate. Therefore, the net interest spread received by the Group from the provision of entrusted loan is approximately 5%. According to the official website of PBOC, the three-month and six-month fixed deposit rate for RMB offered by PBOC was 3.1% and 3.3%, respectively.

After comparison with the above deposit rates available to the Group, we concur with the Directors' view that the Provision of Entrusted Loans could generate a relatively higher return for the idle surplus cash of the Group. Even the Group use its unutilized banking facilities in the PRC to sub-lend to Peking Founder Group, the net interest spread received by the Group is also higher than deposit rates available to the Group, therefore we concur with the Directors' view that the Provision of Entrusted Loans is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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## LETTER FROM CHINA EVERBRIGHT CAPITAL LIMITED

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(iv) Default risk arising from the Provision of Entrusted Loans

To evaluate the default risk arising from the Provision of Entrusted Loans, we have discussed with the Management about the financial position and financial creditability of Peking Founder.

We are advised that Peking Founder is a bond issuer in the PRC. According to the credit rating report issued by China Lianhe Rating Co., Ltd., an independent rating agency, on 25 August 2011, the principal long-term credit rating of Peking Founder was maintained as “AA+”, representing the second highest class in this regard, and China Lianhe Credit Rating Co., Ltd. was of the opinion that Peking Founder had good capability for loan repayment.

Furthermore, as advised by the Management, to ensure Peking Founder Group has necessary financial capability to repay the Entrusted Loans, the Group will require Peking Founder Group to provide its latest audited reports and/or management accounts to the Group before entering into formal entrusted loan agreements. As a result, the Group can evaluate the latest financial performance and position of Peking Founder Group before making entrusted loans to Peking Founder Group, which allow the Group effectively control the default risks arising from the provision of entrusted loan to Peking Founder Group.

In light of the above, and the good repayment record of Peking Founder Group during the past few years, the Management considers that the Provision of Entrusted Loans will not result in any material adverse impact on the Group’s financial risk.

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

We are confirmed by the Management that the Group will only utilise its cash held in the PRC and denominated in RMB to provide entrusted RMB loan to Peking Founder Group in the PRC. The entrusted loans under the Entrusted Loan Master Agreement are repayable within six months after the date of the relevant loan agreement(s). If the Group’s cash held in the PRC and denominated in RMB cannot meet the demand of entrusted loan from Peking Founder Group, the Group may use its unutilized banking facilities in the PRC to sub-lend to Peking Founder Group when (i) the financial return from the Provision of Entrusted Loans is higher than the cost of borrowing; (ii) the terms of related banking facilities can match with the terms of entrusted loans, including related draw-down date and repayment date; and (iii) there is no other alternative purpose for such unutilized banking facilities, for example, investment opportunities with higher investment return than those of entrusted loans available to the Group (collectively, “**Loan Conditions**”). As confirmed by the Management, the Group has not utilised its banking facilities for investment purposes in the past. In addition, the Group will review and consider other investment options every time before it lends to Peking Founder under the Entrusted Loan Agreement.

Under the Entrusted Loan Master Agreement, the Group is not obligated to make entrusted loan to Peking Founder Group and would only do so if the Loan Conditions can be satisfied.

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## LETTER FROM CHINA EVERBRIGHT CAPITAL LIMITED

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After taking into account of the above, in particular, (i) the arrangements under the Entrusted Loan Master Agreement will enable the Group to achieve a return on its temporarily surplus cash which is no less than the cost of borrowing and the deposit rates available to the Group; and (ii) all of the entrusted loans under the Entrusted Loan Master Agreement will be granted to Peking Founder Group which is regarded as borrower of undoubted standing in the PRC given their strong credit rating, we are of the view that the arrangements under the Entrusted Loan Master Agreement (i) are commercially justifiable and beneficial to the Group; (ii) are not expected to result in any material adverse impact on the Group's liquidity position; and (iii) are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

*(B) Major terms of the Entrusted Loan Master Agreement*

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

- (i) the Entrusted Loan Master Agreement shall take immediate effect after satisfaction of the conditions as set out in the paragraph headed "Conditions" in the Letter from the Board and shall continue for a period of three years up to 31 December 2014;
- (ii) the entrusted loans are repayable within six months from the date of drawing of the relevant entrusted loan(s). We note that, if the Peking Founder Group fails to repay the outstanding amount under the relevant entrusted loan agreements, the Peking Founder Group shall be liable to pay, on a daily basis, a default interest at the rate of 0.02% of the total outstanding loan amount, until all of the principal amount, the interests together with other applicable charges and/or fees are fully repaid, which we considered such terms to be in the interests of the Company and the Shareholders as a whole;
- (iii) if any of the following matters arises, the entrusted loans are repayable forthwith, unless otherwise waived by the Company in writing:
  - the Peking Founder Group provides false balance sheets, profit and loss statements and other financial statements or provides such statements which withhold material facts;
  - the representations and warranties and undertakings made and given by Peking Founder under the Entrusted Loan Master Agreement or those made and given by the borrower pursuant to the relevant entrusted loan agreement proves to be untrue or misleading;
  - in the reasonable opinion of the Company, there has been a serious deterioration in the operating and financial position of Peking Founder or of the borrower pursuant to the relevant entrusted loan agreement;

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## LETTER FROM CHINA EVERBRIGHT CAPITAL LIMITED

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

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

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

Having considered the above and the Group is not obligated to make entrusted loan to Peking Founder Group and would only do so if the Loan Conditions can be satisfied, we are of the view that the provision of the Entrusted Loan Master Agreement are (i) on normal commercial terms; and (ii) fair and reasonable so far as the interests of the Company and the Shareholders as a whole are concerned.

*(C) The Proposed Annual Caps*

The Provision of Entrusted Loans is subject to requirements and conditions of the Listing Rules as particularly discussed under the section headed “Requirements of the Listing Rules” below. In particular, the entrusted loans under the Entrusted Loan Master Agreement are subject to the proposed annual caps as discussed below.

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## LETTER FROM CHINA EVERBRIGHT CAPITAL LIMITED

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Set out below are (i) the historical annual caps for each of the three years ending 31 December 2011 under the Existing Entrusted Loan Master Agreement; (ii) the proposed annual caps for the entrusted loans under the Entrusted Loan Master Agreement for each of the three years ending 31 December 2014; and (iii) the historical figures of the average entrusted loans for each of the two years ended 31 December 2010 and the latest available transaction amount for nine months ended 30 September 2011 (“**Relevant Period**”):

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	('000)	('000)	('000)	('000)	('000)	('000)
Annual caps	175,000	181,125	187,464	199,000	205,965	213,174
Historical actual figure	132,978	112,796	80,460	n/a	n/a	n/a
			(up to 30 September 2011)			

As illustrated above, the historical figures of the average entrusted loans provided by the Group decreased during the Relevant Period. We are advised that such fluctuations mainly reflected the changes of the Group’s idle surplus cash and the loan demand from the Peking Founder Group.

Under the Entrusted Loan Master Agreement, the Proposed Annual Caps for each of the three years ending 31 December 2014 are RMB199.0 million, RMB206.0 million and RMB213.2 million, respectively. In assessing the reasonableness of the Proposed Annual Caps, we have reviewed and discussed with the Management the bases and assumptions underlying the projections of the Proposed Annual Caps. Based on our review and discussion, we understand from the Management that the Proposed Annual Caps are determined with reference to (i) the Group’s average cash and cash equivalents during the nine months ended 30 September 2011; and (ii) the estimated increase in the Group’s cash position during the three years ending 31 December 2014.

We are confirmed by the Management that the Group will only utilise its cash held in the PRC and denominated in RMB to provide entrusted RMB loan to Peking Founder Group in the PRC.

As at 30 September 2011, (i) the Group’s cash held in the PRC and denominated in RMB; and (ii) undue entrusted loans payable by Peking Founder Group amounted to approximately RMB88.7 million and RMB81.1 million, respectively (collectively, “**Surplus Cash**”). In addition, according to the Company’s circular dated 20 September 2011, the Group will receive sales proceeds of approximately HK\$114.1 million (before expenses) on or before 31 December 2011, arising from the disposal of the Company’s equity interest in EC-Founder and related loans to a subsidiary of Peking Founder. As a result, it will further increase the Surplus Cash which is available for the Provision of Entrusted Loans. As illustrated above, the amount of Surplus Cash is well above the Proposed Annual Caps.

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## LETTER FROM CHINA EVERBRIGHT CAPITAL LIMITED

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Furthermore, it is expected by the Management that there will be a 3.5% annual increase in the Group's cash and bank balance held in the PRC and denominated in RMB from 2012 to 2014. After discussion with the Management, we understand that expected increase in the Group's cash position is mainly attributable to the Group's sustainable development in media business in the PRC. As stated in the 2011 Interim Report, the Group achieved encouraging results performance with its continuous effort in streamlining the operation and sustainable development in media business. The Group reported an unaudited consolidated profit attributable to equity holders of the parent for the six months ended 30 June 2011 of HK\$24.2 million (six months ended 30 June 2010: loss of HK\$1.0 million). The turnover of the Group's media business during the six months ended 30 June 2011 increased by 31.5% to approximately HK\$448.4 million while the segment results recorded a profit of approximately HK\$24.9 million. As a result of the above, we are advised by the Management that the Group's cash and bank balance held in the PRC and denominated in RMB increased by approximately 6% from 2009 to 2010. As a result, we concur with the Directors' view that the 3.5% annual increase in the Group's cash and bank balance held in the PRC and denominated in RMB from 2012 to 2014 is justifiable and reasonable.

Based on the above, we regard the basis of the Proposed Annual Caps as fair and reasonable so far as the Group and the Shareholders are concerned. However, as the Proposed Annual Caps relate to future events and are based upon assumptions that may or may not remain valid for the whole period up to 31 December 2014, we express no opinion as to how closely the actual entrusted loan amount pursuant to the Entrusted Loan Master Agreement shall correspond to the Proposed Annual Caps.

*(D) Requirements of the Listing Rules*

Pursuant to Rules 14A.37 to 14A.40 of the Listing Rules, the Provision of Entrusted Loans are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the continuing connected transactions and confirm in the annual report and accounts that the continuing connected transactions have been entered into:
  - (i) in the ordinary and usual course of business of the Group;
  - (ii) either on normal commercial terms or, if there are not sufficient comparable 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;



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## LETTER FROM CHINA EVERBRIGHT CAPITAL LIMITED

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

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

### **OUR RECOMMENDATIONS**

Having considered the principal factors and reasons referred to above, we are of the opinion that the Entrusted Loan Master Agreement, the transactions and the Proposed Annual Caps contemplated thereunder, are on normal commercial terms, and in the interest of the Group and the Shareholders as a whole, and the terms thereof as well as the Proposed Annual Caps are fair and reasonable so far as the Group and the Independent Shareholders are concerned.

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## LETTER FROM CHINA EVERBRIGHT CAPITAL LIMITED

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Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant ordinary resolution to approve the Entrusted Loan Master Agreement, including the Proposed Annual Caps, as detailed in the notice of SGM set out at the end of the Circular.

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

**1. INDEBTEDNESS**

At the close of business on 30 September 2011, 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\$70.4 million which comprised unsecured bank loans of approximately HK\$59.2 million and secured trust receipt loans of approximately HK\$11.2 million. The above unsecured bank loans of approximately HK\$59.2 million included bank loans of approximately HK\$55.0 million guaranteed by Peking Founder, a substantial shareholder of the Company, and a bank loan of HK\$4.2 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\$38.3 million, HK\$41.7 million and HK\$10.1 million, respectively.

Save as disclosed above and apart from intra-group liabilities, the Group did not have, at the close of business on 30 September 2011, 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 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 2010, being the date to which the latest published audited consolidated accounts of the Company were made up.

**4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

In the coming financial year, the Group will continue to be engaged in the software development and the provision of systems integration services in the media and non-media industries including financial institutions, enterprises and government departments.

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. In addition, the Group will closely monitor the performance of each business sector to achieve effective cost control and maximize shareholders' value.

**5. FINANCIAL EFFECT OF THE ENTRUSTED LOAN MASTER AGREEMENT**

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

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

## 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 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, an associated corporation of the Company under the SFO*

Name of director	Number of ordinary shares held, capacity and nature of interest			Percentage of the associated corporation's issued share
	Directly beneficially owned	Through spouse or minor children	Total	
Professor Xiao Jian Guo	8,703,300	–	8,703,300	0.79%
Professor Wei Xin	3,956,000	–	3,956,000	0.36%
Mr Zhang Zhao Dong	3,956,000	–	3,956,000	0.36%
Mr Fung Man Yin Sammy	350,000	100,000	450,000	0.04%

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

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

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

<b>Name of Director</b>	<b>Number of share options held</b>	<b>Date of grant of share options</b>	<b>Exercise period of share options</b>	<b>Exercise price of share options HK\$</b>
Mr Zhang Zhao Dong	8,000,000	6.2.2004	7.2.2004 to 5.2.2014	0.381
Professor Wei Xin	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 2010, being the date to which the latest published audited consolidated accounts of the Company were made up.

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

### 3. SUBSTANTIAL SHAREHOLDERS

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

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

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

\* For identification purpose only

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

### 4. DIRECTORS' SERVICE CONTRACTS

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

**5. EXPERT**

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 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 (i) 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 2010, being the date to which the latest published audited consolidated accounts of the Company were made up; and (ii) any contract or arrangement which is significant in relation to the business of the Group.

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

**6. LITIGATION AND CLAIMS**

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

**7. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

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

**8. MATERIAL CONTRACTS**

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

- the conditional sale and purchase agreement entered into between Sparkling Idea Limited and Founder International Co., Ltd. dated 24 June 2010 in relation to the disposal by Sparkling Idea Limited and the purchase by Founder International Co., Ltd. of the entire equity interest in 北京方正奧德計算機系統有限公司 (Beijing Founder Order Computer Systems Co., Ltd.\*) at a consideration of HK\$47.5 million; and

\* For identification purpose only



- the conditional sale and purchase agreement entered into between the Company and Founder Information dated 29 August 2011 in relation to the disposal by the Company and the purchase by Founder Information of the Company's entire shareholding interests in EC-Founder of 363,265,000 shares, representing approximately 32.84% of the issued share capital of EC-Founder and a loan in the sum of HK\$5.4 million at an aggregate consideration of HK\$114.1 million.

## **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 6 December 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 2010;
- (iii) the Entrusted Master Loan Agreement;
- (iv) the material contracts referred to in the paragraph headed "Material Contracts" above;
- (v) the letter from the Independent Board Committee, the text of which is set out on page 13 of this circular;
- (vi) the letter from China Everbright, the text of which is set out on pages 14 to 24 of this circular;
- (vii) the letter of consent from China Everbright referred to in the paragraph headed "Expert" above; and
- (viii) the Company's circular dated 20 September 2011 and this circular.

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## NOTICE OF SGM

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**NOTICE IS HEREBY GIVEN** that a special general meeting of Founder Holdings Limited (the “Company”) will be held at 11:45 a.m. on Tuesday, 6 December 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 resolutions:

### ORDINARY RESOLUTIONS

1. **“THAT:**
  - (a) the Entrusted Loan Master Agreement (as defined in the Circular) be and are hereby approved;
  - (b) the proposed annual caps in relation to the transactions contemplated under the Entrusted Loan Master Agreement for the three years ending 31 December 2014 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 Entrusted Loan Master Agreement and the transactions contemplated thereunder.”
2. **“THAT** subject to and conditional upon the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of options which may be granted under the Refreshed Limit (as herein defined), the existing scheme mandate limit under the share option scheme adopted by the Company on 24 May 2002 (the “Share Option Scheme”) be refreshed so that the total number of Shares which may be allotted and issued upon the exercise of the options granted under the Share Option Scheme shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution (the “Refreshed Limit”) and that the Directors be and are hereby authorised to do such act and execute such document to effect the Refreshed Limited and to grant options up to the Refreshed Limit and to exercise all the powers of the Company to allot, issue and deal with Shares pursuant to the exercise of such options.”

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

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## NOTICE OF SGM

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*Notes:*

1. Any shareholder entitled to attend and vote at the meeting is entitled to appoint another person as his/her proxy to attend and vote 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 1.
5. The ordinary resolutions as set out above will be determined by way of a poll.

\* *For identification purpose only*