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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, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Foundation Group 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 or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



FOUNDATION GROUP LIMITED **基業控股有限公司***

(incorporated in Bermuda with limited liability)
(Stock Code: 1182)

PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES

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



WALLBANCK BROTHERS
Securities (Hong Kong) Limited

A letter from the Board is set out on pages 3 to 6 of this circular. A letter from Wallbanck Brothers Securities (Hong Kong) Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders containing its advice regarding the refreshment of the Existing Issue Mandate is set out on pages 8 to 14 of this circular.

A notice convening a special general meeting of Foundation Group Limited to be held at Room 1901, 19th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong on Thursday, 22 February 2007 at 3:00 p.m. is set out on pages 15 to 17 of this circular. If you are not able to attend the special general meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjournment of it, if you so wish.

* For identification purposes only

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DEFINITIONS

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

“%”	per cent.
“Board”	board of Directors
“Bye-laws”	the bye-laws of the Company as may be amended from time to time
“Company”	Foundation Group Limited, a company incorporated in Bermuda with limited liability, the Shares of which are currently listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Existing Issue Mandate”	the general and unconditional mandate granted to the Directors to allot, issue and deal with 17,484,330 new Shares, being 20% of the issued share capital of the Company as at 21 September 2006, by a resolution of the Shareholders passed at the annual general meeting of the Company held on 21 September 2006
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administration Region of the Peoples’ Republic of China
“Independent Board Committee”	an independent board committee of the Board comprising the independent non-executive Directors, namely Mr. Chu Kar Wing, Dr. Chow King Wai and Mr. Tang Yiu Wing
“Independent Shareholders”	Shareholders other than the controlling Shareholder and its associates, namely Luck Continent
“Latest Practicable Date”	2 February 2007, being the latest practicable date for ascertaining certain information for inclusion in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Luck Continent”	Luck Continent Limited, a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding, a controlling Shareholder

DEFINITIONS

“New Issue Mandate”	the general and unconditional mandate proposed to be sought at the SGM to authorise the Directors to allot, issue and deal with new Shares not exceeding 20% of the issued share capital of the Company as at the date of the SGM
“SFO”	Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Company to be convened to approve, inter alia, the refreshment of the Existing Issue Mandate, the notice of which is set out on pages 15 to 17 of this circular
“Share and Warrant Subscription Agreement”	The conditional subscription agreement dated 19 December 2006 entered into between the Company and Luck Continent in relation to the issue and subscription of the Subscription Shares and the Warrant
“Share(s)”	ordinary share(s) of HK\$0.001 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by Luck Continent upon and subject to the terms and conditions of the Share and Warrant Subscription Agreement
“Subscription Shares”	a total of 3,000,000,000 new Shares issued by the Company to Luck Continent pursuant to the Share and Warrant Subscription Agreement
“Warrant(s)”	the unlisted warrant of the Company conferring right in its registered form to the holder thereof to subscribe for Shares at an initial exercise price of HK\$0.01 (subject to adjustment) at any time during the Exercise three-year period from the date of issue of the Warrant
“Wallbank Brothers”	Wallbank Brothers Securities (Hong Kong) Limited, a licensed corporation under the SFO, licensed to carry out types 4, 6, and 9 regulated activities (advising as securities, advising on corporate finance and asset management) under the SFO

LETTER FROM THE BOARD



FOUNDATION GROUP LIMITED

基業控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 1182)

Executive Directors:

Wong Ching Ping, Alex

Lim Direk

Independent Non-executive Directors:

Chu Kar Wing

Chow King Wai

Tang Yiu Wing

Registered office:

Clarendon House,

2 Church Street,

Hamilton HM 11,

Bermuda

Principal Office:

Room 1901, 19th Floor,

Hutchison House,

10 Harcourt Road,

Central, Hong Kong

5 February 2007

To the Shareholders

Dear Sir or Madam,

PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES

INTRODUCTION

On 19 December 2006, the Company entered into the Share and Warrant Subscription Agreement with Luck Continent pursuant to which, Luck Continent subscribed on 31 January 2007 3,000,000,000 new Shares, representing approximately 97.17% of the issued share capital as enlarged by the issue of Subscription Shares. As at the Latest Practicable Date, less than 25% of the issued share capital were held by the Public.

REFRESHMENT OF GENERAL MANDATE TO ISSUE NEW SHARES

In view of the substantial increase of issued share capital of the Company subsequent to the approval of the Existing Issue Mandate from 87,421,652 Shares to 3,087,421,652 Shares, and for the purpose of implementing appropriate steps to restore the minimum public float required by the Stock Exchange, the Directors propose to put forward an ordinary resolution at the SGM seeking Shareholders' approval to refresh the Existing Issue Mandate for the Directors to allot, issue and deal with new Shares not exceeding 20% of the issued share capital of the Company as at the date of the SGM, which is proposed to be on Thursday, 22 February 2007.

* For identification purposes only

LETTER FROM THE BOARD

The Directors believe that the granting of the New Issue Mandate to the Directors will facilitate the Company and Luck Continent to maintain the minimum public float as required by the Stock Exchange and will enhance the flexibility for the Group to raise equity financing in future for business development beneficial to the Shareholders or for strengthening the capital base of the Group. Accordingly, the Directors consider that the New Issue Mandate is in the interests of the Company and its Shareholders as a whole.

The Company had in issue an aggregate of 3,087,421,652 Shares as at the Latest Practicable Date. Subject to the passing of the proposed resolution for the approval of the refreshment of the Existing Issue Mandate and the basis that no Shares would be issued and/or repurchased by the Company from the Latest Practicable Date up to the date of the SGM, the New Issue Mandate would allow the Directors to allot and issue up to a maximum of 617,484,330 Shares, representing 20% of the aggregate nominal amount of the issued Shares at the SGM. The New Issue Mandate will, if granted, remain effective until the earliest of: (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by Bermuda law or Bye-laws; and (iii) its revocation or variation by ordinary resolutions of the Shareholders in general meeting.

At the last annual general meeting of the Company held on 21 September 2006, the Directors were granted the Existing Issue Mandate and it has not been utilized since the relevant resolution was passed. As the refreshment of the Existing Issue Mandate is being proposed prior to the next annual general meeting of the Company, the refreshment of the Existing Issue Mandate is subject to the Independent Shareholders' approval at the SGM by way of poll.

SGM

Pursuant to the Listing Rules, Luck Continent, the controlling Shareholder, and its associates will abstain from voting in favour at the SGM. As at the Latest Practicable Date, there was (i) no discrepancy between the beneficial shareholding interest in the Company of Luck Continent and the number of Shares in respect of which it will control or will be entitled to exercise control over the voting rights at the SGM; (ii) no voting trust or other agreement or arrangement or understanding entered into by or binding upon Luck Continent; and (iii) no obligation or entitlement of Luck Continent as at the Latest Practicable Date, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case by case basis. An Independent Board Committee has been established to make recommendations to the Independent Shareholders in respect of the refreshment of the Existing Issue Mandate. Wallbanck Brothers has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the refreshment of the Existing Issue Mandate.

A form of proxy for use by the Shareholders at the SGM is enclosed with this circular. To be valid, the form of proxy must be completed in accordance with the instructions printed thereon and returned, together with the power of attorney or other authority (if any) under which it is signed or a certified copy

LETTER FROM THE BOARD

of that power of attorney or authority, to the Company branch share register in Hong Kong, Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the SGM if you so wish.

PROCEDURE FOR DEMANDING A POLL

Pursuant to the Bye-laws, at any general meeting, a resolution put to vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of such meeting; or
- (b) by at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorized representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by a Shareholder or Shareholders present in person or in the case of a member being a corporation by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorized representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

A demand by a person as proxy for a Shareholder or in the case of a Shareholder being a corporation by its duly authorized representative shall be deemed to be the same as demand by a Shareholder.

RECOMMENDATION

Wallbanck Brothers has been appointed to advise the Independent Board Committee and the Independent Shareholders with regard to the refreshment of the Existing Issue Mandate. The text of the letter of advice from Wallbanck Brothers containing its recommendation and the principal factors and reasons it has taken into account in arriving at its recommendation are set out on pages 8 to 14 of this circular.

The Independent Board Committee, having taken into account the terms of the refreshment of the Existing Issue Mandate and the advice of Wallbanck Brothers, considers the terms of the refreshment of the Existing Issue Mandate is in the interests of the Company and the Shareholders as a whole and accordingly recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM for approving the refreshment of the Existing General Mandate. The full text of the letter from the Independent Board Committee is set out on page 7 of this circular.

LETTER FROM THE BOARD

The Directors consider that the refreshment of Existing Issue Mandate is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolution to be proposed at the SGM.

RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

By Order of the Board
Foundation Group Limited
Wong Ching Ping, Alex
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



FOUNDATION GROUP LIMITED

基業控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 1182)

5 February 2007

To the Independent Shareholders

Dear Sir/Madam,

PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES

The Independent Board Committee has been established by the Board for the purpose of advising the Independent Shareholders in connection with the refreshment of the Existing Issue Mandate, details of which are set out in the circular of the Company to the Shareholders dated 5 February 2007 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the terms of the refreshment of the Existing Issue Mandate the advice of Wallbanck Brothers in relation to the refreshment of the Existing Issue Mandate as set out on pages 8 to 14 of the Circular, we are of the view that the refreshment of Existing Issue Mandate is in the interests of the Company and its Shareholders as a whole and the terms of the refreshment of the Existing Issue Mandate 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 resolution to be proposed at the SGM to approve the refreshment of the Existing Issue Mandate.

Yours faithfully

Chu Kar Wing
*Independent non-executive
Director*

Chow King Wai
*Independent non-executive
Director*

Tang Yiu Wing
*Independent non-executive
Director*

* For identification purposes only

LETTER FROM WALLBANCK BROTHERS

The following is the full text of a letter of advice from Wallbanck Brothers, the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the refreshment of the Existing Issue Mandate, for the purpose of incorporation into this circular.



WALLBANCK BROTHERS
Securities (Hong Kong) Limited
1005B, Tower 1, Lippo Centre,
89 Queensway, Central,
Hong Kong

5 February 2007

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed refreshment of the Existing Issue Mandate pursuant to Rule 13.36(4) of the Listing Rules, particulars of which are set out in the letter from the Board (the “Letter from the Board”) of this circular to the Shareholders dated 5 February 2007 (the “Circular”) and in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

Pursuant to the Listing Rules, the refreshment of the Existing Issue Mandate is subject to the approval of the Independent Shareholders at the SGM by way of poll. Accordingly, the Independent Board Committee (comprising Mr. Chu Kar Wing, Dr. Chow King Wai and Mr. Tang Yiu Wing, being all the independent non-executive Directors) has been established to advise on the refreshment of the Existing Issue Mandate, and we have been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders to advise on the refreshment of the Existing Issue Mandate.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have relied on the accuracy of the information, opinions and representations provided to us by the Directors and management of the Company, and have assumed that all information, opinions and representations contained or referred to in this circular were

LETTER FROM WALLBANCK BROTHERS

true and accurate at the time when they were made and will continue to be accurate at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in this circular were reasonably made after due enquiry. We have no reason to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We consider that we have received sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in this circular to provide a reasonable basis for our opinions and recommendations. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in this circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and management of the Company, nor have we conducted an independent investigation into the business and affairs of the Company.

In formulating our opinion, we have relied on the financial information provided by the Company, particularly, on the accuracy and reliability of financial statements and other financial data of the Company. We have not audited, compiled nor reviewed the said financial statements and financial data. We shall not express any opinion or any form of assurance on them. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. The Directors have also advised us that no material facts have been omitted from the information to reach an informed view, and we have no reason to suspect that any material information has been withheld. We have not carried out any feasibility study on any past, and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Company. Our opinion has been formed on the assumption that any analysis, estimation, forecast, anticipation, condition and assumption provided by the Company are valid and sustainable. Our opinions shall not be constructed as to give any indication to the validity, sustainability and feasibility of any past, existing and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Company.

In formulating our opinion, we have not considered the taxation implications on the Independent Shareholders arising from the refreshment of the Existing Issue Mandate as these are particular to the individual circumstances of each Shareholder. It is emphasized that we will not accept responsibility for any tax effect on or liability of any person resulting from his or her decision to the refreshment of the Existing Issue Mandate. In particular, the Independent Shareholders who are overseas residents or are subject to overseas taxation or Hong Kong taxation on securities dealings should consult their own tax positions, and if in any doubt, should consult their own professional advisers.

Our opinions are necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations, and opinions made available to us as of, the Latest Practicable Date. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein which may come or be brought to our attention before and after the SGM.

Our opinions are formulated only and exclusively for the purpose of the refreshment of the Existing Issue Mandate and shall not be used for any other purpose in any circumstance nor for any comparable purpose with any other opinions.

LETTER FROM WALLBANCK BROTHERS

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee in respect of the refreshment of the Existing Issue Mandate, we have taken into consideration the following principal factors and reasons:

1. Background for the Refreshment of Existing Issue Mandate

On 19 December 2006, the Company entered into the Share and Warrant Subscription Agreement with Luck Continent pursuant to which, Luck Continent subscribed on 31 January 2007 3,000,000,000 new Shares, representing approximately 97.17% of the issued share capital as enlarged by the issue of Subscription Shares. As at the Latest Practicable Date, less than 25% of the issued share capital were held by the Public.

In view of the substantial increase of issued share capital of the Company subsequent to the approval of the Existing Issue Mandate from 87,421,652 Shares to 3,087,421,652 Shares, and for the purpose of implementing appropriate steps to restore the minimum public float required by the Stock Exchange, the Directors propose to put forward an ordinary resolution at the SGM seeking Shareholders' approval to refresh the Existing Issue Mandate for the Directors to allot, issue and deal with new Shares not exceeding 20% of the issued share capital of the Company as at the date of the SGM, which is proposed to be on 22 February 2007.

2. Reasons for the Refreshment of the Existing Issue Mandate

According to the Letter from the Board, the Directors believe that granting of the New Issue Mandate to the Directors will facilitate the Company and Luck Continent to maintain the minimum public float as required by the Stock Exchange and will enhance the flexibility for the Group to raise equity financing in future for business development beneficial to the Shareholders or for strengthening the capital base of the Group. Accordingly, the Directors consider that the New Issue Mandate is in the interests of the Company and its Shareholders as a whole.

3. Fund raising activities of the Company

According to the representation by the Directors, the Company had not pursued any fund raising activity during the past 12 months immediately preceding the Latest Practicable Date, save and except the Subscription pursuant to the Share and Warrant Subscription Agreement.

The Company is engaged in apparel trading, securities trading and strategic investments. According to the annual report of the Company for the year ended 31 March 2006, we note that the bank balance (together with pledged bank deposits and cash) and the total indebtedness of the Group amounted to approximately HK\$16.4 million and HK\$9.4 million as at 31 March 2006 respectively.

We consider that it is reasonable for the Directors to propose the refreshment of the Existing Issue Mandate in the SGM in order to give the Company greater flexibility in the issuance of Shares in future as and when the Company considers desirable for the benefit of the development of the Company.

LETTER FROM WALLBANCK BROTHERS

4. Status of Utilization of the Existing Issue Mandate

According to the Letter from the Board, the Existing Issue Mandate was granted on 21 September 2006 and has not been utilized since the relevant resolution was passed at the last annual general meeting of the Company.

The Company had in issue an aggregate of 3,087,421,652 Shares as at the Latest Practicable Date. Subject to the passing of the proposed resolution for the approval of the New Issue Mandate and the basis that no Shares would be issued and/or repurchased by the Company from the Latest Practicable Date up to the date of the SGM, the New Issue Mandate would allow the Directors to allot and issue up to a maximum of 617,484,330 Shares, representing 20% of the aggregate nominal amount of the issued Shares at the SGM. The New Issue Mandate to issue Shares will, if granted, remain effective until the earliest of: (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by Bermuda law or Bye-laws; and (iii) its revocation or variation by ordinary resolutions of the Shareholders in general meeting.

5. Other Alternatives of Financing

The Directors represented that they had considered other alternatives of fund raising such as bank financing and placement of new Shares. For bank financing, the Directors are of the view that interest expenses to be borne by the Company will be inevitably incurred, possibly expanding the Company's loss position. Furthermore, a loan obtained from banks will eventually have to be repaid sometime in the future. In fact, it is difficult for the Company to obtain further debt financing as the banks will be reluctant to offer bank loans and credit facilities to the Group in view of loss suffered by the Company for the previous year; and lack of other property to be used as security for such financing. Whereas for equity financing, common means of equity financing include open offers and placement of new shares. Therefore, the New Issue Mandate, which will allow the Directors to allot and issue up to 617,484,330 Shares, will serve as one of the equity financing alternatives for the Company to obtain capital.

We are represented that it is the Directors' belief that the refreshment of the Existing Issue Mandate will provide the Company with an additional alternative of equity funding when there is funding requirement or when any business opportunities arise in the future. It is reasonable to suggest that the refreshment of the Existing Issue Mandate could enhance the financing flexibility of the Company to raise equity fund, if and when required, by way of issue of new Shares or other convertible instruments for further development of the Group. In addition, the Directors consider that if investment or acquisition opportunities arise, it would be possible that decisions may have to be made within a limited period of time. The New Issue Mandate would provide the Group with higher degree of flexibility as allowed under the Listing Rules to issue new Shares or other convertible instruments to raise capital and strengthen the capital base of the Company as consideration or otherwise for such potential investments and/or acquisitions in the future as and when such opportunities arise. However, from our enquiry to the Directors, the Directors represented that there is no concrete proposal for any new investment or acquisition for the Group at present.

LETTER FROM WALLBANCK BROTHERS

On the above basis, we hold the view that there are reasonable grounds for the Directors to propose the refreshment of the Existing Issue Mandate in the SGM.

6. Potential dilution to shareholding interests of the Independent Shareholders

Based on information available from public source and from the Directors, we set out below a table setting out the shareholding structure of the Company as at the Latest Practicable Date and upon full utilization of the New Issue Mandate:

	As at the Latest Practicable Date		Upon full utilization of the New Issue Mandate	
	<i>(No. of Shares)</i>	<i>(%)</i>	<i>(No. of Shares)</i>	<i>(%)</i>
Leopard Vision Limited (<i>Note 1</i>)	20,609,330	0.67	20,609,330	0.56
Luck Continent (<i>Note 2</i>)	3,000,000,000	97.17	3,000,000,000	80.97
Public Shareholders	66,812,322	2.16	66,812,322	1.80
Shares issued under the New Issue Mandate	–	–	617,484,330	16.67
Total	3,087,421,652	100.00	3,704,905,982	100.00

Source: www.hkex.com.hk

Note:

- 1) The entire issued share capital of Leopard Vision Limited is held by Byford Group Limited which in turn is held by Expert Rich Investments Limited. Expert Rich Investments Limited is wholly-owned by Mr. Wong Ching Ping Alex, an executive Director.
- 2) Luck Continent, a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding.

Assuming that (i) the refreshment of the Existing Issue Mandate will be approved at the SGM; (ii) no Shares will be repurchased and no new Shares will be issued from the Latest Practicable Date up to the date of the SGM (both dates inclusive); and (iii) upon full utilization of the New Issue Mandate, 617,484,330 Shares are to be issued, representing 20% and approximately 16.67% of the existing issued share capital as at the Latest Practicable Date and the enlarged issued share capital of the Company respectively. The aggregate shareholding of the existing public Shareholders will be diluted from approximately 2.16% to approximately 1.80% upon full utilization of the New Issue Mandate.

LETTER FROM WALLBANCK BROTHERS

Taking into consideration that the New Issue Mandate will increase the amount of capital which may be raised thereunder and provides more options to the Group for financing further development of its business as well as other investments/acquisitions as and when such opportunities arise and the fact that the shareholding of all the Shareholders will be diluted to the same extent upon any utilization of the New Issue Mandate, we consider that the potential dilution to the shareholding of the Shareholders is acceptable.

Shareholders should note that the Existing Issue Mandate will be revoked upon approval at the SGM of the New Issue Mandate which will be and continue to be in force until the earliest of (i) the conclusion of the Company's next annual general meeting; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law to be held; and (iii) the revocation or variation of the authority given under the relevant resolution to be proposed at the SGM by ordinary resolution of the Shareholders in general meeting. Such duration is in compliance with the Listing Rules.

7. Terms of the New Issue Mandate

According to Rule 13.36(4) of the Listing Rules, it is stipulated that an ordinary resolution shall be proposed at the forthcoming SGM to obtain approval from the Shareholders to refresh the Existing Issue Mandate before the next annual general meeting of the Company to authorize the Directors to allot and issue new Shares of not exceeding 20% of the total number of issued shares of the Company as at the date of the forthcoming SGM. It is further required that such approval should be taken on a vote by way of poll, and the controlling shareholders of the Company, Luck Continent and their respective associates shall abstain from voting in favor of the ordinary resolution for approving the proposed refreshment.

As mentioned before, it is further stipulated that upon approval of the proposed refreshment at the forthcoming SGM, the Existing Issue Mandate will be revoked and the New Issue Mandate will be and continue to be effective until the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by Bermuda law or Bye-Laws; and (iii) the revocation or variation of the authority given under the relevant resolution to be proposed by ordinary resolution of the Shareholders in general meeting. Such duration is in compliance with Rule 13.36(3) of the Listing Rules.

In view of the said stringent provisions and requirements of the Listing Rules, we have reasons to believe that there to be sufficient control and measures to guide the refreshment of the Existing Issue Mandate and the continuity of the New Issue Mandate. In this respect, we hold the view that the terms of the refreshment of the Existing Issue Mandate are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM WALLBANCK BROTHERS

RECOMMENDATION

Having considered the above principal factors and reasons and Directors' representations, on balance, we are of the opinion that in such circumstance the refreshment of the Existing Issue Mandate are fair and reasonable so far as the Independent Shareholders are concerned and the refreshment of the Existing Issue Mandate is in the interest of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, and also recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution approving the refreshment of the Existing Issue Mandate at the SGM.

Yours faithfully,
For and on behalf of
WALLBANCK BROTHERS
Securities (Hong Kong) Limited

Phil Chan
Chief Executive Officer

NOTICE OF SGM



FOUNDATION GROUP LIMITED

基業控股有限公司*

(incorporated in Bermuda with limited liability)
(Stock Code: 1182)

NOTICE IS HEREBY GIVEN that a special general meeting of Foundation Group Limited (“Company”) will be held at Room 1901, 19th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong on Thursday, 22 February 2007 at 3:00 p.m., for the purposes of considering and, if thought fit, passing, with or without modification, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTION

“THAT

- (a) the general mandate granted to the Directors to exercise the powers of the Company to allot, issue and deal with shares of the Company as approved by the Shareholders of the Company (“Shareholders”) at the annual general meeting of the Company held on 21 September 2006 be and is hereby revoked (without prejudice to any valid exercise of such general mandate prior to the passing this Resolution);
- (b) subject to sub-paragraph (d) of this resolution, the exercise by the directors of the Company (the “**Directors**”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (c) the approval in paragraph (b) of this resolution shall authorize the Directors during the Relevant Period to make or grant offers, agreements and options (including bonds and debentures convertible into shares of the Company) which would or might require the exercise of such power after the end of the Relevant Period;
- (d) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (b) of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); (ii) an issue of shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into shares of the Company; (iii) an issue of shares as scrip dividends pursuant to the Bye-laws of the Company from time to time; or (iv) an issue of shares under any share option scheme or similar arrangement for the grant

* for identification purposes only

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or issue to employees and/or other eligible persons of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue;

(e) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; and
- (c) the date on which the authority sets out in this resolution is revoked or varied by an ordinary resolution in general meeting;

“Rights Issue” means an offer of shares open for a period fixed by the directors to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

By Order of the Board
Foundation Group Limited
Ho Koon Man
Company Secretary

Hong Kong, 5 February 2007

Registered Office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Office:

Room 1901, 19/F
Hutchison House
10 Harcourt Road
Central
Hong Kong

Notes:

- (i) A shareholder of the Company (“Shareholder”) entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy in respect of the whole or any part of his holding of shares to attend and vote in his stead. A proxy need not be a Shareholder.
- (ii) In order to be valid, the form of proxy must be deposited with the branch share registrar of the Company in Hong Kong, Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney, not less than 48 hours before the time for holding the meeting or adjourned meeting.

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- (iii) Completion and delivery of the form of proxy will not preclude a Shareholder from attending and voting in person at the meeting if the Shareholder so desires and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (iv) As at the date of this notice, the executive directors of the Company are Mr. Wong Ching Ping, Alex and Mr. Lim Direk and the independent non-executive directors of the Company are Mr. Chu Kar Wing, Dr. Chow King Wai and Mr. Tang Yiu Wing.