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**(1) ADVANCE TO AN ENTITY, MAJOR TRANSACTION AND  
CONTINUING CONNECTED TRANSACTIONS: ENTRUSTED LOAN  
MASTER AGREEMENT;  
AND  
(2) CONTINUING CONNECTED TRANSACTIONS:  
MASTER SALES AGREEMENT**

**ENTRUSTED LOAN MASTER AGREEMENT**

On 1 November 2011, the Company entered into the Entrusted Loan Master Agreement with Peking Founder pursuant to which the Group would, subject to certain conditions, provide short-term loans through a financial institution (to be designated by the parties and being an independent third party to the Company and its connected persons) to Peking Founder Group.

**MASTER SALES AGREEMENT**

On 1 November 2011, the Company and Peking Founder entered into the Master Sales Agreement pursuant to which the Group will supply certain information products (including but not limited to desktop computers, laptop computers, servers, networking tools, internet products, monitors and software) to Peking Founder Group on normal commercial terms from 1 January 2012 to 31 December 2014.

**LISTING RULES REQUIREMENTS**

As at the date of this announcement, the Company is owned as to approximately 32.84% by Founder which in turn is owned as to approximately 32.49% by Peking Founder. Since Peking Founder can exercise control over the composition of a majority of the board of directors of each of the Company and Founder and that Founder is a controlling shareholder of the Company, the Company believes that Peking Founder should be considered as a connected person of the Company under Chapter 14A of the Listing Rules by virtue of its association with the Company and Founder.

After the completion of the sale of 363,265,000 shares, representing approximately 32.84% of the issued share capital of the Company, by Founder to Founder Information as contemplated under the conditional sale and purchase agreement entered into between Founder and Founder Information dated 29 August 2011, the Company will be owned as to 32.84% by Founder Information, which is a subsidiary of Peking Founder. In such circumstances, Founder Information is a connected person of the Company and Peking Founder is also regarded as an associate of a connected person of the Company for the purposes of Chapter 14A of the Listing Rules.

Therefore, each of the transactions contemplated under the Entrusted Loan Master Agreement and the Master Sales Agreement will constitute continuing connected transactions for the Company.

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. As one or more of the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules for each of the transactions contemplated under the Entrusted Loan Master Agreement and the Master Sales Agreement exceeds 5% and the consideration for each of the above transactions exceed HK\$10,000,000, each of the transactions contemplated under the Entrusted Loan Master Agreement and the Master Sales Agreement constitute non-exempt continuing connected transactions for the Company and are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL**

An independent board committee (comprising all three independent non-executive Directors) will be established to advise the Independent Shareholders in connection with the Entrusted Loan Master Agreement (including the proposed annual caps for the three years ending 31 December 2014) and the Master Sales Agreement (including the proposed annual caps for the three years ending 31 December 2014).

The Company has appointed China Everbright Capital Limited, as the independent financial adviser, to advise the independent board committee in this regard. The Company will despatch to its shareholders a circular containing further details of each of the Entrusted Loan Master Agreement and the Master Sales Agreement, the letters from the independent board committee and the Independent Financial Adviser, and a notice convening the SGM on or before 17 November 2011 in accordance with the Listing Rules. Founder, Peking Founder and their respective associates will abstain from voting at the SGM in respect of the relevant resolutions.

## **1. 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 12 June 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 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 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 below, commence on 1 January 2012 for a term of three years and expire on 31 December 2014.

### 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 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 each of the three years ending 31 December 2014:

	Year ended 31 December 2009 <i>RMB</i> <i>million</i>	Year ended 31 December 2010 <i>RMB</i> <i>million</i>	Nine months ended 30 September 2011 <i>RMB</i> <i>million</i>	Year ending 31 December 2011 <i>RMB</i> <i>million</i>	Year ending 31 December 2012 <i>RMB</i> <i>million</i>	Year ending 31 December 2013 <i>RMB</i> <i>million</i>	Year ending 31 December 2014 <i>RMB</i> <i>million</i>
Historical figures	30	84	195	N/A	N/A	N/A	N/A
Historical annual caps	200	220	N/A	242	N/A	N/A	N/A
Proposed annual caps	N/A	N/A	N/A	N/A	242	242	242

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.

Based on the above, the relevant annual caps are set in the amount of RMB242 million for each of 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.

### 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 an ultimate controlling shareholder 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 resolutions 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, respectively; 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 associations.

## **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.

Since no member of the Group is a licensed financial institution, the Group is not authorized to carry out banking related businesses in the PRC. As 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.

The terms of the Entrusted Loan Master Agreement, including the interest rate applicable, were agreed by the parties after arm's length negotiations having taken into account the prevailing market interest rates and practices. The Directors (excluding all independent non-executive Directors whose views will be based on the opinion of the Independent Financial Adviser) 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, the Directors (excluding all independent non-executive Directors whose views will be based on the opinion of the Independent Financial Adviser) consider that the entrusted loan arrangement will definitely bring in more value to the shareholders of the Company as a whole by enhancing the monetary return of the Group's surplus funds generated from operations. Based on the above, the Directors (excluding all independent non-executive Directors whose views will be based on the opinion of the Independent Financial Adviser) consider that the terms of the Entrusted Loan Master Agreement and the transactions contemplated therein are on normal commercial terms and are fair and reasonable though not in the ordinary and usual course of business of the Group but are in the interests of the Company and its shareholders as a whole.

## **2. MASTER SALES AGREEMENT**

The Group has been supplying information hardware products to Peking Founder Group on normal commercial terms in the ordinary and usual course of business pursuant to an agreement which will expire on 31 December 2011. Accordingly,

the Company has entered into the Master Sales Agreement with Peking Founder on 1 November 2011 to continue the transactions for the supply of information hardware products to Peking Founder Group. The terms of the Master Sales Agreement shall become effective, subject to the obtaining approval of the Independent Shareholders in the SGM, for a term of three years from 1 January 2012 to 31 December 2014.

Pursuant to the Master Sales Agreement, the Group should provide information hardware products at market prices determined at the relevant time: (i) with reference to the prices and credit terms at which such products are supplied, on normal commercial terms in its ordinary and usual course of business, to independent third party customers in the local market and/or adjacent regions; or (ii) where no comparables as stated in (i) are available, with reference to the prices and credit terms at which such products are supplied, on normal commercial terms in its ordinary and usual course of business, to independent third party customers in the PRC; or (iii) where none of the above comparables is available, with reference to the prices and credit terms agreed between the parties on arm's length basis.

#### **Actual sales and annual caps**

The following table sets out the actual sales figures for each of the two years ended 31 December 2010 and the 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 each of the three years ending 31 December 2014:

	Year ended 31 December 2009 <i>RMB</i> '000	Year ended 31 December 2010 <i>RMB</i> '000	Nine months ended 30 September 2011 <i>RMB</i> '000	Year ending 31 December 2011 <i>RMB</i> '000	Year ending 31 December 2012 <i>RMB</i> '000	Year ending 31 December 2013 <i>RMB</i> '000	Year ending 31 December 2014 <i>RMB</i> '000
Actual sales	40,462	119,730	186,393	N/A	N/A	N/A	N/A
Historical annual caps	52,600	509,073	N/A	712,702	N/A	N/A	N/A
Proposed annual caps	N/A	N/A	N/A	N/A	712,702	712,702	712,702

Peking Founder Group has been purchasing information hardware products from the Group for providing software solutions to and establishing computer systems for its clients. The proposed annual caps as contemplated under the Master Sales Agreement are determined with reference to the historical monthly sales volume of the Company, the historical values of the transactions and the expected purchases estimated by Peking Founder.



### **Reason for and benefits of the Master Sales Agreement**

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 distribution of information hardware products in Hong Kong and in the PRC. Peking Founder Group has been purchasing information hardware products for its customers in order to establish computer systems, and provide software solutions to its clients. The Board considers that it is beneficial to the Group to supply information hardware products to Peking Founder Group on normal commercial terms, thus broadening its customer and revenue base. The Board considers that the terms of the Master Sales Agreement were arrived at after arm's length negotiations between the parties involved. The Master Sales Agreement will be entered into in the ordinary and usual course of business of the Group. The Directors (excluding the independent non-executive Directors who will express their opinion after receiving advice from the Independent Financial Adviser) consider that the transactions under the Master Sales Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole and that the proposed annual caps for the transactions contemplated under the Master Sales Agreement are fair and reasonable.

### **LISTING RULES REQUIREMENTS**

As at the date of this announcement, the Company is owned as to approximately 32.84% by Founder which in turn is owned as to approximately 32.49% by Peking Founder. Since Peking Founder can exercise control over the composition of a majority of the board of directors of each of the Company and Founder and that Founder is a controlling shareholder of the Company, the Company believes that Peking Founder should be considered as a connected person of the Company under Chapter 14A of the Listing Rules by virtue of its association with the Company and Founder.

After the completion of the sale of 363,265,000 shares, representing approximately 32.84% of the issued share capital of the Company, by Founder to Founder Information as contemplated under the conditional sale and purchase agreement entered into between the Company and Founder Information dated 29 August 2011, the Company will be owned as to 32.84% by Founder Information, which is a subsidiary of Peking Founder. In such circumstances, Founder Information is a connected person of the Company and Peking Founder is also regarded as an associate of a connected person of the Company for the purposes of Chapter 14A of the Listing Rules.

Therefore, each of the transactions contemplated under the Entrusted Loan Master Agreement and the Master Sales Agreement will constitute continuing connected transactions for the Company.



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. As one or more of the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules for each of the transactions contemplated under the Entrusted Loan Master Agreement and the Master Sales Agreement exceeds 5% and the consideration for each of the above transactions exceed HK\$10,000,000, each of the transactions contemplated under the Entrusted Loan Master Agreement and the Master Sales Agreement constitute non-exempt continuing connected transactions for the Company and are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL**

An independent board committee (comprising all three independent non-executive Directors) will be established to advise the independent shareholders in connection with the Entrusted Loan Master Agreement (including the proposed annual caps for the three years ending 31 December 2014) and the Master Sales Agreement (including the proposed annual caps for the three years ending 31 December 2014).

The Company has appointed China Everbright Capital Limited, as the independent financial adviser, to advise the independent board committee in this regard. The Company will despatch to its shareholders a circular containing further details of each of the Entrusted Loan Master Agreement and the Master Sales Agreement, the letters from the independent board committee and the Independent Financial Adviser, and a notice convening the SGM on or before 17 November 2011 in accordance with the Listing Rules. Founder, Peking Founder and their respective associates will abstain from voting at the SGM in respect of the relevant resolutions.

## **DEFINITIONS**

In this announcement, unless the context requires otherwise, the following terms shall have the meanings set out below:

“Company”	EC-Founder (Holdings) Company Limited (方正數碼(控股)有限公司*), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;

“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 its connected persons) to Peking Founder Group;
“Founder”	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;
“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\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Financial Adviser”	China Everbright Capital Limited, which has been appointed as the independent financial adviser to advise the independent board committee in relation to (i) the Entrusted Loan Master Agreement (including its annual caps for the three years ending 31 December 2014) and (ii) the Master Sales Agreement (including its annual caps for the three years ending 31 December 2014);
“Independent Shareholder”	the shareholders of the Company other than Founder, Peking Founder and their respective associates;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“Master Sales Agreement”	the agreement dated 1 November 2011 between the Company and Peking Founder pursuant to which the Company agreed to supply certain information hardware products to Peking Founder for a three years term until 31 December 2014;

“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 liability, the controlling shareholder of Founder holding approximately 32.49% of the issued share capital of the Founder;
“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 announcement;
“RMB”	Renminbi, the lawful currency of the PRC;
“SGM”	the special general meeting of the Company to be convened and held for the Independent Shareholders to consider and approve, if thought fit, (i) the Entrusted Loan Master Agreement (including its annual caps for the three years ending 31 December 2014) and (ii) the Master Sales Agreement (including its annual caps for the three years ending 31 December 2014);
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

By order of the Board of  
**EC-Founder (Holdings) Company Limited**  
**Zhang Zhao Dong**  
*Chairman*

Hong Kong, 1 November 2011

*As at the date of this announcement, the board of directors of the Company comprises executive directors of Mr Zhang Zhao Dong (Chairman), Mr Chen Geng (President), Mr Xia Yang Jun, Mr Xie Ke Hai and Mr Zheng Fu Shuang, and the independent non-executive directors of Mr Li Fat Chung, Ms Wong Lam Kit Yee and Ms Cao Qian.*

*For illustrative purpose only, HK\$ is converted into RMB at an exchange rate of HK\$1 = RMB0.833 in this announcement.*

\* For identification purpose only