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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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

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**REVISED ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS  
AND  
ENTRUSTED LOAN MASTER AGREEMENT**

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



**KGI Capital Asia Limited**

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A letter from the board of directors of EC-Founder (Holdings) Company Limited is set out on pages 4 to 13 of this circular. A letter from the Independent Board Committee (as defined herein) of the Company is set out on page 14 of this circular. A letter from the Independent Director (as defined herein) of the Company is set out on page 15 of this circular. A letter from KGI Capital Asia Limited containing its advice to the Independent Board Committee, the Independent Director and the Independent Shareholders is set out on pages 16 to 28 of this circular.

A notice convening the special general meeting to be held at 10:30 a.m. on Wednesday, 22 July 2009 at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong is set out on pages 37 to 38 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 EC-Founder (Holdings) Company Limited at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong and in any event not later than 48 hours before the time of the special general meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting should you so wish.

\* For identification purpose only

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## DEFINITIONS

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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 12 June 2009
“associate(s)”	has the meaning as ascribed to it in the Listing Rules
“Board”	the board of Directors
“Company”	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
“Directors”	the directors of the Company
“Entrusted Loan Master Agreement”	the master agreement dated 12 June 2009 entered into between the Company and Peking Founder, pursuant to which the Group would, subject to certain conditions, provide entrusted loans 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, and is a controlling shareholder of the Company holding approximately 32.84% of the issued share capital of the Company
“Founder Group”	Founder and its subsidiaries
“Founder Sales”	the transactions contemplated under the New Founder Master Agreement in relation to the sales of information hardware products to the Founder Group by the Group
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee comprising all independent non-executive Directors, namely, Mr Li Fat Chung, Ms Wong Lam Kit Yee and Ms Cao Qian, established for the purpose of advising the Independent Shareholders in relation to the transactions contemplated under the Entrusted Loan Master Agreement (including the proposed annual caps for the three years ending 31 December 2011)

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## DEFINITIONS

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“Independent Director”	Ms Cao Qian, being an independent non-executive Director, who has been appointed to advise the Independent Shareholders in connection with the proposed annual caps for the three years ending 31 December 2011 under the Supplemental Agreement
“Independent Shareholders”	Shareholders other than Founder and its associates
“KGI Capital”	KGI Capital Asia Limited, a licenced corporation under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities, which has been appointed as the independent financial adviser to the Independent Board Committee, the Independent Director and the Independent Shareholders in respect of the Entrusted Loan Master Agreement (including the proposed annual caps for the three years ending 31 December 2011) and the proposed annual caps for the three years ending 31 December 2011 under the Supplemental Agreement
“Latest Practicable Date”	means 29 June 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Founder Master Agreement”	the master agreement entered into between Founder and the Company on 15 December 2008 in relation to the sales of information hardware products to the Founder Group by the Group for a term of three years from 1 January 2009 to 31 December 2011
“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 Founder, which holds approximately 32.49% of the issued share capital of 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 circular
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

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## DEFINITIONS

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“SGM”	the special general meeting of the Company to be held by the Company at 10:30 a.m. on Wednesday, 22 July 2009 for approving the Entrusted Loan Master Agreement (including the proposed annual caps for the three years ending 31 December 2011) and the proposed annual caps for the three years ending 31 December 2011 under the Supplemental Agreement
“Shareholder(s)”	holder(s) of ordinary share(s) of HK\$0.1 each in the issued share capital of the Company
“Supplemental Agreement”	the supplemental agreement to the New Founder Master Agreement dated 12 June 2009 entered into between Founder and the Company to revise the annual caps for the three years ending 31 December 2011 for the Founder Sales
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

*For illustrative purposes only, HK\$ is converted into RMB at an exchange rate of HK\$1 = RMB0.8815 in this circular.*

\* *For identification purpose only*

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## LETTER FROM THE BOARD

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*Executive Directors:*

Mr Zhang Zhao Dong (*Chairman*)  
Mr Chen Geng (*President*)  
Mr Xia Yang Jun  
Mr Xie Ke Hai  
Mr Zheng Fu Shuang

*Registered office:*

Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

*Independent non-executive Directors:*

Mr Li Fat Chung  
Ms Wong Lam Kit Yee  
Ms Cao Qian

*Principal place of business in Hong Kong:*

Unit 1408, 14th Floor  
Cable TV Tower  
9 Hoi Shing Road  
Tsuen Wan  
New Territories  
Hong Kong

3 July 2009

*To the Shareholders*

Dear Sir or Madam,

### **REVISED ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS AND ENTRUSTED LOAN MASTER AGREEMENT**

#### **1. INTRODUCTION**

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

On 12 June 2009, the Company has entered into the Supplemental Agreement with Founder to revise the annual caps for the three financial years ending 31 December 2011 as the Directors consider that the existing caps as set out in the New Founder Master Agreement will not be sufficient for the increasing volume of business between the Group and the Founder Group.

Since each of the applicable percentage ratios in respect of the Supplemental Agreement exceeds 25%, the transactions contemplated under the Supplemental Agreement are subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

\* For identification purpose only

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## LETTER FROM THE BOARD

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On 12 June 2009, the Company has 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 the Peking Founder Group.

The provision of the entrusted loans under the Entrusted Loan Master Agreement constitutes (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, and (iii) continuing connected transactions under Chapter 14A of the Listing Rules. Since each of the applicable percentage ratios in respect of the Entrusted Loan Master Agreement exceeds 25%, the transactions contemplated under the Entrusted Loan Master Agreement are subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to the Listing Rules.

The Company is owned as to approximately 32.84% by Founder which in turn is owned as to approximately 32.49% by Peking Founder. Founder is a connected person of the Company for the purposes of the Listing Rules. Peking Founder is an associate of a connected person of the Company for the purposes of Chapter 14A of the Listing Rules.

The purpose of this circular is (i) to provide you with more information relating to the Supplemental Agreement and the Entrusted Loan Master Agreement; (ii) to set out the opinions and recommendations of the Independent Board Committee on the Entrusted Loan Master Agreement (including the proposed annual caps for the three years ending 31 December 2011); (iii) to set out the opinions and recommendations of the Independent Director on the proposed annual caps for the three years ending 31 December 2011 under the Supplemental Agreement; (iv) to set out the opinions and recommendations of KGI Capital relating to the Entrusted Loan Master Agreement (including the proposed annual caps for the three years ending 31 December 2011) and the proposed annual caps for the three years ending 31 December 2011 under the Supplemental Agreement; and (v) to give you the notice of SGM.

## **2. SALES OF INFORMATION HARDWARE PRODUCTS TO FOUNDER GROUP**

Reference is made to the announcement of the Company dated 13 November 2008 and the circular of the Company dated 28 November 2008 in relation to the sales of information hardware products to the Founder Group.

The Group has been supplying information hardware products to the Founder Group on normal commercial terms in the ordinary and usual course of business pursuant to the New Founder Master Agreement.

Founder currently holds approximately 32.84% of the issued share capital of the Company and therefore is a connected person of the Company.

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## LETTER FROM THE BOARD

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### The Supplemental Agreement

As a result of the continuous growth in business between the Group and the Founder Group in 2009, the Directors consider that the existing caps as set out in the New Founder Master Agreement will not be sufficient for the increasing volume of business between the Group and the Founder Group for the three years ending 31 December 2011. On 12 June 2009, the Company has entered into the Supplemental Agreement with Founder to revise the annual caps for the three financial years ending 31 December 2011 in order to cater for the increasing demand by the Founder Group. The proposed revised annual caps for the Founder Sales contemplated under the Supplemental Agreement is determined based on the Company's estimation of the sales for three years ending 31 December 2011 with reference to the historical sales pattern from January to April 2009.

### Historical figures and annual caps

The following table sets out (i) the actual sales figures of the Founder Sales for each of the three years ended 31 December 2008 and four months ended 30 April 2009; (ii) the historical annual caps for the three years ended 31 December 2008; (iii) the existing annual caps for the three years ending 31 December 2011; and (iv) the proposed annual caps for the three years ending 31 December 2011:

	Year ended 31 December 2006 <i>RMB' million</i>	Year ended 31 December 2007 <i>RMB' million</i>	Year ending 31 December 2008 <i>RMB' million</i>	Year ending 31 December 2009 <i>RMB' million</i>	Year ending 31 December 2010 <i>RMB' million</i>	Year ending 31 December 2011 <i>RMB' million</i>
Actual sales	76.9	53.7	157.8	93.44 (1 January – 30 April 2009)	N/A	N/A
Historical annual caps	97.0	114.6	185	N/A	N/A	N/A
Existing annual caps	N/A	N/A	N/A	259	362.6	507.64
Proposed annual caps	N/A	N/A	N/A	370	518	725.2

The Group has been supplying the Founder Group with information hardware products for its software development business and systems integration projects. The level of purchase orders placed by the Founder Group increased significantly in the first quarter of 2009 due to Founder Group's rapid business expansion and has been increasing steadily over the past few years. The proposed revised annual caps for the Founder Sales as contemplated under the Supplemental Agreement are determined with reference to the historical values of the transactions, Founder's indication of the current and projected value of its systems integration projects business and the Company's estimates of future growth of the information technology business in the PRC. The Directors consider that there will be an annual increase of approximately 40% in the value of the annual caps for the proposed revised caps for the two years ending 31 December 2011. Such percentage has taken into consideration the average annual increase in the turnover of the Group from 1 January 2004 up to 31 December 2008 of approximately 34%.



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## LETTER FROM THE BOARD

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### **Reasons for and benefit of the Founder Sales**

The Group is principally engaged in the distribution of information hardware products in the PRC. The Founder Group is principally engaged in software development and system integration relating to the media industry and non-media industries relating to financial institutions, commercial enterprises and government departments in the PRC.

The Founder Group has been purchasing information hardware products for its customers in order to establish computer systems, and provide software and hardware solutions to its clients. The Founder Group has also been purchasing information hardware products for use in its software development business (mainly electronic publishing software). The Board considers that it is beneficial to the Group to continue to maintain members of the Founder Group as its customers and to continue to supply information hardware products to the Founder Group on normal commercial terms.

The Board considers that the terms of the Supplemental Agreement were arrived at after arm's length negotiations between the parties involved. The Supplemental Agreement was entered into in the ordinary and usual course of business of the Group. The executive Directors consider that the terms of the Supplemental Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and that the proposed annual caps as contemplated by the Supplemental Agreement for the three years ending 31 December 2011 are fair and reasonable.

### **3. ENTRUSTED LOAN MASTER AGREEMENT**

#### **Date**

12 June 2009

#### **Parties**

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

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

The Company has 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 the 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 10% 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 5.5% 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.

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## LETTER FROM THE BOARD

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### Period

The Entrusted Loan Master Agreement shall take immediate effect after satisfaction of the conditions as set out therein and shall continue for a period up to 31 December 2011.

### Annual caps for the entrusted loans

The following table sets out the 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 three years ending 31 December 2011:

	<b>Year ending 31 December 2009</b> <i>RMB' million</i>	<b>Year ending 31 December 2010</b> <i>RMB' million</i>	<b>Year ending 31 December 2011</b> <i>RMB' million</i>
<b>Annual caps</b>	200	220	242

The annual cap amounts for the Entrusted Loan Master Agreement are determined based on the Group's average cash and bank balance as at 31 December for the three years ended 31 December 2008 which is approximately HK\$260 million. After deducting the average total quarterly selling and administrative expenses of the Group of approximately HK\$34 million, the average excess of cash and bank balance of the Group amounts to approximately HK\$226 million (equivalent to approximately RMB200 million). It is expected that there will be a 10% annual increase in the Group's net asset value and therefore the Company intends to have a 10% year-to-year increase for the annual caps for the two years ending 31 December 2011. Based on the above, the relevant annual caps are set in the amount of RMB200 million, RMB220 million and RMB242 million for the three years ending 31 December 2011, respectively.

### 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;

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## LETTER FROM THE BOARD

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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 Founder or 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 given 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 for approving the terms of the Entrusted Loan Master Agreement as required under the Listing Rules;
- (2) the Board having approved the terms of the Entrusted Loan Master Agreement in accordance with the Company's bye-laws;
- (3) 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;
- (4) the warranties and representations as set out in the Entrusted Loan Master Agreement given by both parties remains true and accurate; and
- (5) any other regulatory approval (if any) applicable to the Company and Peking Founder is obtained.

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## LETTER FROM THE BOARD

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

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

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 such, in order to fully utilize the Group's surplus cash 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 the Peking Founder Group. The entrusted loans are granted by the designated financial institution to the 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 executive 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 the Peking Founder Group could generate a higher return for the idle surplus cash of the Group. Due to the scarce investment opportunity under the current financial environment and taken into consideration the creditworthiness of the Peking Founder Group and its sound financial performance in the past, the executive 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 executive Directors consider that the terms of the Entrusted Loan Master Agreement and the transactions contemplated thereunder 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 the Shareholders as a whole.

### **4. LISTING RULES REQUIREMENTS**

The Company is owned as to approximately 32.84% by Founder which in turn is owned as to approximately 32.49% by Peking Founder. Founder is a connected person of the Company for the purposes of the Listing Rules. Peking Founder is an associate of a connected person of the Company for the purposes of Chapter 14A of the Listing Rules.

Since each of the applicable percentage ratios in respect of the Supplemental Agreement exceeds 25%, the transactions contemplated under the Supplemental Agreement shall be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

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## LETTER FROM THE BOARD

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The provision of the entrusted loans under the Entrusted Loan Master Agreement constitutes (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, and (iii) continuing connected transactions under Chapter 14A of the Listing Rules. Since each of the applicable percentage ratios 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, announcement and Independent Shareholders' approval requirements pursuant to the Listing Rules.

The Independent Board Committee has been 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 2011).

Since Mr Li Fat Chung and Ms Wong Lam Kit Yee, both being independent non-executive Directors, are also independent non-executive directors of Founder, they are not considered sufficiently independent to give advice or recommendation to Independent Shareholders in relation to the Supplemental Agreement. Accordingly, the Independent Director has been appointed to advise the Independent Shareholders in connection with the proposed annual caps for the three years ending 31 December 2011 under the Supplemental Agreement.

The Company has appointed KGI Capital as the independent financial adviser to advise the Independent Board Committee, the Independent Director and the Independent Shareholders respectively in this regard.

Founder and its associates will abstain from voting at the SGM in respect of the relevant resolutions.

### **5. SGM**

A notice convening the SGM to be held at 10:30 a.m., on Wednesday, 22 July 2009 at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong is set out on pages 37 to 38 of this circular for the purpose of considering and, if thought fit, passing the ordinary resolutions in relation to (i) the proposed annual caps for the three years ending 31 December 2011 under the Supplemental Agreement and the transactions contemplated thereunder; and (ii) the transactions contemplated under the Entrusted Loan Master Agreement (including the proposed annual caps for the three years ending 31 December 2011).

The ordinary resolutions to be proposed at the SGM will be determined by way of poll by the Independent Shareholders. Founder and its associates who altogether held 416,770,400 issued shares of the Company and controlled the voting rights of such shares, representing approximately 37.68% 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 resolutions.

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## LETTER FROM THE BOARD

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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.

### 6. RECOMMENDATION

The Independent Board Committee, which comprises all three independent non-executive Directors, has been established to advise the Independent Shareholders in connection with the terms of the transactions contemplated under the Entrusted Loan Master Agreement (including the proposed annual caps for the three years ending 31 December 2011).

Since Mr Li Fat Chung and Ms Wong Lam Kit Yee, both being independent non-executive Directors, are also independent non-executive directors of Founder, Ms Cao Qian, being the Independent Director, has been appointed to advise the Independent Shareholders in connection with the proposed annual caps for the three years ending 31 December 2011 under the Supplemental Agreement.

KGI Capital has been appointed to advise the Independent Board Committee, the Independent Director and the Independent Shareholders respectively on the Entrusted Loan Master Agreement (including the proposed annual caps for the three years ending 31 December 2011) and the proposed annual caps for the three years ending 31 December 2011 under the Supplemental Agreement.

The Independent Board Committee, having taken into account the advice of KGI Capital, 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 the proposed annual caps for the three years ending 31 December 2011 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.

The Independent Director, having taken into account the advice of KGI Capital, considers that the transactions contemplated under the Supplemental Agreement are in the ordinary and usual course of business of the Group and are on normal commercial terms; and that the terms of the transactions contemplated under the Supplemental Agreement, the proposed annual caps for the three years ending 31 December 2011 under the Supplemental 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, the Directors recommend the Independent Shareholders to vote in favour of all the ordinary resolutions set out in the notice of SGM enclosed to this circular.

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## LETTER FROM THE BOARD

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### GENERAL

Your attention is also drawn to the letter from the Independent Board Committee, the letter from the Independent Director, the letter from KGI Capital and the additional information set out in Appendix I and Appendix II to this circular and the notice of SGM.

Yours faithfully,  
For and on behalf of the Board  
**EC-Founder (Holdings) Company Limited**  
**Zhang Zhao Dong**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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3 July 2009

*To the Independent Shareholders*

Dear Sir or Madam,

### **ENTRUSTED LOAN MASTER AGREEMENT**

We refer to the circular dated 3 July 2009 issued by the Company (the “Circular”) of which this letter forms part. Terms used in this letter shall bear the same meanings as given to them in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the Entrusted Loan Master Agreement (including the proposed annual caps for the three years ending 31 December 2011) 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. KGI Capital 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 2011).

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 13 of the Circular, and the letter from KGI Capital 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 2011), as set out on pages 16 to 28 of the Circular.

Having taken into account of the principal factors and reasons considered by KGI Capital and its conclusion and advice, we consider that transactions contemplated under the 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 2011 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 2011.

Yours faithfully,

Independent Board Committee

**Li Fat Chung**

*Independent non-executive  
Director*

**Wong Lam Kit Yee**

*Independent non-executive  
Director*

**Cao Qian**

*Independent non-executive  
Director*

\* For identification purpose only



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## LETTER FROM THE INDEPENDENT DIRECTOR

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3 July 2009

*To the Independent Shareholders*

Dear Sir or Madam,

### SUPPLEMENTAL AGREEMENT

I refer to the circular dated 3 July 2009 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.

I have been appointed to consider the proposed annual caps for the three years ending 31 December 2011 under the Supplemental Agreement, which require approval by the Independent Shareholders and to advise the Independent Shareholders as to the fairness and reasonableness of the proposed annual caps for the three years ending 31 December 2011 under the Supplemental Agreement, and to recommend how the Independent Shareholders should vote at the SGM. KGI Capital has been appointed to advise me in relation to the proposed annual caps contemplated under the Supplemental Agreement.

I wish to draw your attention to the letter from the Board, as set out on pages 4 to 13 of the Circular, and the letter from KGI Capital to me containing its advice in respect of proposed annual caps contemplated under the Supplemental Agreement as set out on pages 16 to 28 of the Circular.

Having taken into account of the principal factors and reasons considered by KGI Capital and its conclusion and advice, I consider that the transactions contemplated under the Supplemental Agreement are in the ordinary and usual course of business of the Group and are on normal commercial terms. The terms of the Supplemental Agreement and the proposed annual caps for the three years ending 31 December 2011 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, I recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the proposed annual caps for the three years ending 31 December 2011 contemplated under the Supplemental Agreement and the transactions contemplated thereunder.

Yours faithfully,

**Cao Qian**

*Independent non-executive Director*

\* For identification purpose only

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## LETTER FROM KGI CAPITAL

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*Set out below is the text of the letter of advice from KGI Capital Asia Limited, the independent financial adviser to the Independent Board Committee, the Independent Director and the Independent Shareholders of EC-Founder (Holdings) Company Limited, prepared for inclusion in this circular.*



### **KGI Capital Asia Limited**

27/F, ICBC Tower  
Citibank Plaza  
3 Garden Road  
Central, Hong Kong

Tel: 2878 6888  
Fax: 2970 0080

3 July 2009

To the Independent Board Committee,  
the Independent Director and the Independent Shareholders  
EC-Founder (Holdings) Company Limited  
Unit 1408, 14th Floor, Cable TV Tower  
9 Hoi Shing Road  
Tsuen Wan, New Territories  
Hong Kong

*Dear Sirs or Madams,*

### **REVISED ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS AND ENTRUSTED LOAN MASTER AGREEMENT**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Entrusted Loan Master Agreement (including the proposed annual caps for each of the three financial years ending 31 December 2011 (the “Proposed Annual Caps”)), and to advise the Independent Director and the Independent Shareholders in respect of the terms of the Supplemental Agreement and its proposed revised annual caps for the each of the three financial years ending 31 December 2011 (the “Revised Caps”), particulars of which are set out in the “Letter from the Board” (the “Letter”) contained in the circular to the Shareholders dated 3 July 2009 (the “Circular”), of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

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## LETTER FROM KGI CAPITAL

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### **Sales of information hardware products to the Founder Group**

As stated in the Letter, reference is made to the announcement of the Company dated 13 November 2008 and the circular of the Company dated 28 November 2008 in relation to the sales of information hardware products to the Founder Group.

As stated in the Letter, the Group has been supplying information hardware products to the Founder Group on normal commercial terms in the ordinary and usual course of business pursuant to the New Founder Master Agreement.

Founder currently holds approximately 32.84% of the issued share capital of the Company and therefore is a connected person of the Company.

As a result of the continuous growth in business between the Group and the Founder Group in 2009, the Directors consider that the existing cap as set out in the New Founder Master Agreement will not be sufficient for the increasing volume of business between the Group and the Founder Group for the three financial years ending 31 December 2011. On 12 June 2009, the Company has entered into Supplemental Agreement with Founder to revise the annual caps for each of the three financial years ending 31 December 2011 in order to cater for the increasing demand by the Founder Group.

### **Entrusted Loan Master Agreement**

On 12 June 2009, the Company has 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 the Peking Founder Group.

The Company is owned as to approximately 32.84% by Founder which in turn is owned as to approximately 32.49% by Peking Founder. Founder is a connected person of the Company for the purposes of the Listing Rules. Peking Founder is an associate of a connected person of the Company for the purposes of Chapter 14A of the Listing Rules. Accordingly, the provision of the entrusted loans under the Entrusted Loan Master Agreement constitutes (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; and (iii) continuing connected transactions under Chapter 14A of the Listing Rules.

Since each of the applicable percentage ratios in respect of (i) the Supplemental Agreement; and (ii) the Entrusted Loan Master Agreement exceed 25%, the transactions contemplated under the Supplemental Agreement and the Entrusted Loan Master Agreement shall be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

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## LETTER FROM KGI CAPITAL

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### THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT DIRECTOR

The Independent Board Committee, comprising all three independent non-executive Directors, namely Mr Li Fat Chung, Ms Wong Lam Kit Yee and Ms Cao Qian, has been established to advise the Independent Shareholders as to whether the terms of the transactions contemplated under the Entrusted Loan Master Agreement (including the Proposed Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Since Mr Li Fat Chung and Ms Wong Lam Kit Yee, both being independent non-executive Directors, are also independent non-executive directors of Founder, they are not considered sufficiently independent to give advice or recommendation to the Independent Shareholders in relation to the Supplemental Agreement. Accordingly, an independent board committee, comprising only Ms Cao Qian, being the Independent Director, has been established to advise the Independent Shareholders as to whether the terms of the transactions contemplated under the Supplemental Agreement and the Revised Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

We, KGI Capital Asia Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether or not the terms of the transactions contemplated under the Entrusted Loan Master Agreement (including the Proposed Annual Caps) and to advise the Independent Director and the Independent Shareholders as to whether or not the terms of the transactions contemplated under the Supplemental Agreement and the Revised Caps respectively, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information, financial information and facts supplied, and the opinions and representations expressed to us by the Company, its Directors and management of the Company. We have also assumed that all such information, financial information, facts, statements of belief, opinion and intention and representation made to us by the Directors or referred to in the Circular were reasonably made after due and careful enquiry and are based on honestly-held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations referred to in the Circular and provided to us by the Company, its Directors and management of the Company. We have been advised by the Directors that no material facts have been omitted from the information provided to us and referred to in the Circular. We have also assumed that all statement of intention of the Company, its Directors and management of the Company as set out in the Circular will be implemented. We have assumed that all information and representations made or referred to in the Circular and provided to us by the Company, its Directors and management of the Company, for which they were solely and wholly responsible, were true, complete and accurate at the time they were made and shall continue to be true, complete and accurate at the date of the SGM.

In formulating our opinion, we have obtained and reviewed relevant information and documents provided by the Company and its Directors and management of the Company in connection with the transactions and discussed with the management of the Company so as to assess the fairness and reasonableness of the terms of the transactions contemplated under the Supplemental Agreement and

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## LETTER FROM KGI CAPITAL

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the Revised Caps and the Entrusted Loan Master Agreement (including the Proposed Annual Caps). Relevant information and documents included, among other things, the annual reports of the Company for the three financial years ended 31 December 2006, 2007 and 2008 (the “Annual Reports”), the New Founder Master Agreement, the Supplemental Agreement, the Entrusted Loan Master Agreement, the basis of determination of the respective proposed annual caps in respect of the Supplemental Agreement and the Entrusted Loan Master Agreement provided by the Company. We believe that we have reviewed sufficient information to enable us to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion regarding the terms of the transactions contemplated under (i) the Supplemental Agreement and the Revised Caps; and (ii) the Entrusted Loan Master Agreement (including the Proposed Annual Caps). We have not, however, carried out any independent verification of the information and representations provided to us by the management of the Company and the Directors nor have we conducted any form of independent investigation into the businesses and affairs, financial position or the future prospects of the Company, Founder, Peking Founder or their respective subsidiaries or associated companies.

Our opinion is necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations and opinions made available to us as of, the Latest Practicable Date. Our opinion does not in any manner address the Company’s own decision to proceed with the entering into the Supplemental Agreement and the Entrusted Loan Master Agreement and to determine the respective proposed annual caps. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein, which may come or be brought to our attention after the Latest Practicable Date. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose, without our prior written consent.

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

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Entrusted Loan Master Agreement (including the Proposed Annual Caps) and to the Independent Director and the Independent Shareholders in relation to the terms of the Supplemental Agreement and the Revised Caps, we have taken the following principal factors and reasons into consideration:

#### **Sales of information hardware products to the Founder Group**

*1. Background of and reasons for entering into the Supplemental Agreement*

The Group is principally engaged in the distribution of information hardware products in the PRC. The Founder Group is principally engaged in software development and system integration relating to the media industry and non-media industries relating to financial institutions, commercial enterprises and government departments in the PRC.

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## LETTER FROM KGI CAPITAL

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As stated in the Letter, the Group has been supplying information hardware products to the Founder Group on normal commercial terms in the ordinary and usual course of business pursuant to the New Founder Master Agreement. The Founder Group has been purchasing information hardware products for its customers in order to establish computer systems, and provide software and hardware solutions to its clients as well as for use in its software development business (mainly electronic publishing software). The Board considers that it is beneficial to the Group to continue to maintain members of the Founder Group as its customers and to continue to supply information hardware products to the Founder Group on normal commercial terms.

As stated in the Letter, as a result of the continuous growth in business between the Group and the Founder Group in 2009, the Directors consider that the existing caps as set out in the New Founder Master Agreement will not be sufficient for the increasing volume of business between the Group and the Founder Group for the three financial years ending 31 December 2011. On 12 June 2009, the Company has entered into the Supplemental Agreement with Founder to revise the annual caps for each of the three financial years ending 31 December 2011 in order to cater for the increasing demand by the Founder Group.

Having considered that (i) the distribution of information hardware products is the principal business of the Group; (ii) the Founder Sales are sales of information hardware products within the principal scope of business of the Group; and (iii) the Founder Group has been purchasing information hardware products from the Group for the past years, we are of the view that the entering into the Supplemental Agreement are in line with the Group's principal business and thus is in the interests of the Company and the Shareholders as a whole.

### *2. Major terms of the Supplemental Agreement*

According to the Supplemental Agreement, the terms of the Supplemental Agreement for the Founder Sales will be based on the terms under the New Founder Master Agreement.

As stated in the Letter, the Board considers that the terms of the Supplemental Agreement were arrived at after arm's length negotiations between the parties involved. The Supplemental Agreement was entered into in the ordinary and usual course of business of the Group. The Directors (excluding all the independent non-executive Directors) consider that the terms of the Supplemental Agreement and the transactions contemplated therein are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and that the proposed revised annual caps as contemplated by the Supplemental Agreement for each of the three financial years ending 31 December 2011 are fair and reasonable.

We have reviewed the New Founder Master Agreement and the Supplemental Agreement and we note that the Supplemental Agreement does not change the prices and credit terms for the Founder Sales in the New Founder Master Agreement. We also noted that the New Founder Master Agreement and the transactions contemplated thereunder were approved by the Independent Shareholders in a special general meeting of the Company held on 15 December 2008. In addition, the Supplemental Agreement also states that all the terms under the New Founder Master Agreement are still effective and remain the same other than the existing annual caps for the Founder Sales for the three financial years ending 31 December 2011; therefore, we are of the opinion that the terms of the Supplemental Agreement are fair and reasonable so far the interests of the Company and the Shareholders as a whole are concerned.

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## LETTER FROM KGI CAPITAL

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### **Entrusted Loan Master Agreement**

#### *1. Background of and reasons for entering into the Entrusted Loan Master Agreement*

On 12 June 2009, the Company, as the lender, has entered into the Entrusted Loan Master Agreement with Peking Founder, as the borrower, pursuant to which the Group would, subject to certain conditions, provide short-term loans through a financial institution to be designated by the parties and being an independent third party to the Company and its connected persons (the “Designated Financial Institution”) to the 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 PBOC plus 10% 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 5.5% per annum. Under the Entrusted Loan Master Agreement, no collateral is 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.

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

As stated in the Letter, 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 such, in order to fully utilize the Group’s surplus cash 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 the Designated Financial Institution. As confirmed by the Directors, the entrusted loans will be granted by the Designated Financial Institution to the Peking Fonder Group on behalf of the Group, from time to time, on a short-term basis and on normal commercial terms.

As stated in the Letter, 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) consider that the interest rate under the Entrusted Loan Master Agreement is favourable to the Group and the provision of the entrusted loans to the Peking Founder Group could generate a higher return for the idle surplus cash of the Group. Due to the scarce investment opportunity under the current financial environment and taken into consideration the creditworthiness of the Peking Founder Group and its sound financial performance in the past, the Directors (excluding all independent non-executive 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 (excluding all independent non-executive 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 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.



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## LETTER FROM KGI CAPITAL

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Having considered the followings:

- (i) the interest rate of the short-term loans to be provided by the Group to the Peking Founder Group pursuant to the Entrusted Loan Master Agreement will be higher than the benchmark RMB lending rate for loan period of six months offered by PBOC since it will be determined with reference to the prevailing benchmark RMB lending rate for loan period of six months offered by PBOC plus 10% of such rate. In addition, according to the official website of PBOC, we note that the annual benchmark RMB lending rate of short-term loans (for loan period of six months or less) offered by PBOC is 4.86% as at the Latest Practicable Date; therefore, for illustration purpose only, the interest rate of the entrusted loans pursuant to the Entrusted Loan Master Agreement would be 5.346% per annum, which is substantially higher than the annual interest rate of time deposit for a period of six months of 1.98% offered by PBOC as at the Latest Practicable Date. Moreover, according to the annual report of the Company for the year ended 31 December 2008, we note that the contractual interest rates of unsecured bank loan of the Group of approximately HK\$10.2 million as at 31 December 2008 ranged from 3.69% to 4.69% per annum, which are considered to be lower than the estimated interest rate of the entrusted loans pursuant to the Entrusted Loan Master Agreement. Furthermore, as confirmed by the Directors, the interest rates of unsecured bank loans of the Group of approximately HK\$59.9 million as at 31 May 2009 ranged from 2.26% to 4.86% per annum, which are considered to be lower than the estimated interest rate of the entrusted loans pursuant to the Entrusted Loan Master Agreement. Therefore, based on the above, we concur with the Directors' views that the interest rate of the entrusted loans pursuant to the Entrusted Loan Master Agreement is in the interests of the Company and the Shareholders as a whole and the provision of the entrusted loans to the Peking Founder Group could generate a relatively higher return for the idle surplus cash of the Group;
- (ii) as confirmed by the Directors and as noted from the Annual Reports, the unsecured bank loans of the Group as at 31 December 2006 and 2007 repayable within one year were guaranteed by Peking Founder. In addition, as at 31 December 2008, Peking Founder guaranteed banking facilities given by the PRC banks to the Group of approximately HK\$892 million which were utilized to the extent of approximately HK\$738 million. Moreover, the Directors confirmed that the unsecured bank loans of the Group as at 31 May 2009 in the amount of approximately HK\$45.6 million were guaranteed by Peking Founder. As such, we concur with the Directors' views that the provision of the entrusted loans from the Group to the Peking Founder Group under the Entrusted Loan Master Agreement would help to substantiate and maintain the good relationship between the Peking Founder Group and the Group through this mutual support arrangement in the future; and
- (iii) we note that the entrusted loans under the Entrusted Loan Master Agreement will be unsecured and no collateral is provided by Peking Founder to the Company. However, we have reviewed the financial information of Peking Founder provided by the Company and we note that the net asset value and the revenues of Peking Founder for each of the three financial years ended 31 December 2008 were on an increasing trend. In addition, based on the information released on [www.ChinaBond.com.cn](http://www.ChinaBond.com.cn) (中國債券信息網) in connection with a recent issue of short-term bonds (短期融資券) by Peking Founder in 2009, we note that the rating of the credit of the Peking Founder Group in respect of the short-term bonds was classified as A-1, representing the highest class in this regard.



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## LETTER FROM KGI CAPITAL

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In view of the above, we concur with the Directors' views that the entering into the Entrusted Loan Master Agreement is in the interests of the Company and the Shareholders as a whole.

### 2. *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. 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 and shall continue for a period up to 31 December 2011;
- (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:
  - 1. the 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;

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## LETTER FROM KGI CAPITAL

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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 Founder or 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 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; and

- (iv) the interest rate of the entrusted loans under the Entrusted Loan Master Agreement 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 entering into the Entrusted Loan Master Agreement”.

Having considered the above, we are of the opinion that the terms of the Entrusted Loan Master Agreement are fair and reasonable so far the interests of the Company and the Shareholders as a whole are concerned.

### **The proposed annual caps under the Supplemental Agreement and the Entrusted Loan Master Agreement**

#### *1. The Revised Caps*

Under the Supplemental Agreement, the Revised Caps in respect of the Founder Sales for each of the three financial years ending 31 December 2011 are RMB370 million, RMB518 million and RMB725.2 million respectively. As stated in the Letter, the Group has been supplying the Founder Group with information hardware products for its software development business and systems integration projects. The level of purchase orders placed by the Founder Group increased significantly in the first quarter of 2009 due to the Founder Group’s rapid business expansion and has been increasing steadily over the past few years. The Revised Caps for the Founder Sales are determined with reference to the historical values of the transactions, Founder’s indication of the current and projected value of its systems integration projects business and the Group’s internal estimates of future growth of the information technology business in the PRC. The Directors consider that there will be an annual increase of approximately 40% in the value of the annual caps for the proposed revised annual caps for each of the two years ending 31 December 2011. Such percentage has taken into consideration the average annual increase in the turnover of the Group of approximately 34% from 1 January 2004 up to 31 December 2008.

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## LETTER FROM KGI CAPITAL

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In order to consider the fairness and reasonableness of the Revised Caps, we take into consideration of the following aspects:

- (i) we have been provided with a breakdown of the historical value of the Founder Sales for the first four months ended 30 April 2009 and note that the actual historical value of the Founder Sales in the first four months of 2009 amounted to approximately RMB93.44 million, representing an increase of approximately 121.2% over the actual historical value of the Founder Sales for the same period in 2008 and representing approximately 36.1% of the existing annual cap of RMB259 million for the financial year ending 31 December 2009 under the New Founder Master Agreement;
- (ii) as confirmed by the Directors, the determination of the proposed revised annual cap of the Founder Sales for the financial year ending 31 December 2009 was made with reference to a historical seasonal sales factor of the Founder Sales plus a buffer of 15%, in which the Founder Sales in the last eight months of 2009 is estimated with reference to the average historical seasonal sales factor of the transactions during the corresponding period in 2007 and 2008 where the amount of the Founder Sales in the last eight months of 2009 is estimated to account for approximately 70.67% of the total amount of the Founder Sales in 2009. Based on such seasonal sales factor, the Founder Sales for the financial year ending 31 December 2009 is estimated to be approximately RMB318.6 million. According to the annual report of the Company for the year ended 31 December 2008, the Group's revenue has increased by approximately 45.4% to approximately HK\$3,961.4 million for the year ended 31 December 2008 as compared to approximately HK\$2,724.7 million for the year ended 31 December 2007. In addition, as mentioned above, the actual historical value of the Founder Sales for the four months ended 30 April 2009 represents an increase of approximately 121.2% over the actual historical value of the Founder Sales for the same period in 2008. As such, we concur with the Directors' views that the level of purchase orders placed by the Founder Group increased significantly in the first quarter of 2009 and has been increasing steadily over the past few years; therefore, the existing annual cap of RMB259 million for the financial year ending 31 December 2009 may not be sufficient to accommodate the expected business growth. Therefore, we consider the proposed revised annual cap for the Founder Sales for the financial year ending 31 December 2009 of RMB370 million is justifiable;
- (iii) we note that the Directors are proposing an average annual growth factor of approximately 40% to the proposed revised annual caps for each of the two financial years ending 31 December 2011. As confirmed by the Directors, the projected growth rate of approximately 40% was based on the average annual growth rate in turnover of the Group during the period from 1 January 2004 up to 31 December 2008. We have reviewed the annual reports of the Group during the abovementioned period and noted that the average of the annual growth rates of the Group's turnover during 2004 to 2008 was approximately 34.01%. Furthermore, since the Group has been supplying information hardware products to the Founder Group for its software development business and system integration projects, we make reference to the information available from the public domains relating to the PRC software market. According to statistics published by the Ministry of Industry and Information Technology of the People's Republic of China in 2009, the revenues in the PRC software market had

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## LETTER FROM KGI CAPITAL

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increased by approximately 29.8% and approximately 23.5% for the year 2008 and for the four months ended 30 April 2009 when compared with the year 2007 and the corresponding period in 2008 respectively. According to an article released by a PRC research center (the "Research Center") in February 2008, for the five-year period from 2008 to 2012, the market of PRC software products are expected to continue to grow at a compound annual growth rate of approximately 16.2%. Moreover, sourced from a press published by Economic Information Daily (經濟參考報) in April 2009, the PRC market of information technology services is estimated to have an anticipated growth rate of approximately 25.6% and approximately 26.8% in 2011 and 2012 respectively. In addition, based on extracts of a report issued by the Research Center in 2008, among the PRC software market, the revenues of the software technology services and software outsourcing services for the first half of 2008 had increased by approximately 46.8% and approximately 68.3% respectively, when compared with the same period in 2007. In view of the prevailing market conditions of the PRC software business industry, we consider it is justifiable to propose an average annual growth factor of approximately 40% to the Founder Sales for each of the two financial years ending 31 December 2011.

In view of the above, we consider the Revised Caps for the Founder Sales are reasonably determined.

### 2. *The Proposed Annual Caps*

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) is RMB200 million, RMB220 million and RMB242 million respectively. As stated in the Letter, the Proposed Annual Caps are determined based on the Group's average cash and cash equivalents balance as at 31 December for each of the three financial years ended 31 December 2008 which was approximately HK\$260 million. After deducting the average total quarterly selling and administrative expenses of the Group of approximately HK\$34 million, the average excess of cash and bank balance of the Group amounted to approximately HK\$226 million (equivalent to approximately RMB200 million). It is expected that there will be a 10% annual increase in the Group's net asset value and therefore the Company intends to have a 10% year-to-year increase for the proposed annual caps for each of the two financial years ending 31 December 2011.

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

- (i) we have obtained the basis of determination of the Proposed Annual Caps provided by the Company and we have reviewed the audited consolidated balance sheets and audited consolidated income statements of the Group for each of the three financial years ended 31 December 2008 as stated in the Annual Reports, we note the historical values in respect of the cash and cash equivalents balance of the Group amounted to approximately HK\$268.4 million, approximately HK\$296.3 million and approximately HK\$212.5 million as at 31 December 2006, 2007 and 2008 respectively. Therefore, the Group's year-end average cash and cash equivalents balance for the three financial years ended 31 December 2008 was approximately HK\$259.1 million. As confirmed by the Directors, the average total quarterly

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## LETTER FROM KGI CAPITAL

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selling and administrative expenses of the Group of approximately HK\$34 million is the minimum amount which allows the Group to maintain its normal operations for a quarter in the circumstance that no revenue would be generated by the Group during the quarter. As such, after deducting the average total quarterly selling and administrative expenses of the Group of approximately HK\$34 million, the average excess of cash and cash equivalents balance of the Group amounted to approximately HK\$225.1 million or rounding to HK\$226 million (equivalent to approximately RMB200 million);

- (ii) we understand from the Directors that the abovementioned average excess of cash and cash equivalents balance of the Group amounting to approximately HK\$226 million (equivalent to approximately RMB200 million) is surplus cash which is available for enhancing the monetary return of the Group; and
- (iii) based on the average excess of cash and cash equivalents balance of the Group of approximately HK\$226 million (equivalent to approximately RMB200 million), the Company has proposed an annual growth rate of 10% to project the proposed annual caps under the Entrusted Loan Master Agreement for each of the two financial years ending 31 December 2011. As confirmed by the Directors, the projected growth rate of 10% was based on the average growth rate in the consolidated net asset value of the Group during 2005 to 2008. We have reviewed the respective annual reports of the Group during the abovementioned period and noted that the simple average of the annual growth rates of the Group's consolidated net asset value as at 31 December during 2005 to 2008 was approximately 9.8%. Furthermore, in view of the anticipated growth on the Group's turnover due to the prevailing market conditions of the PRC software business industry as discussed above, we are advised by the Directors that, according to the internal projections made by the Group, the projected cash levels of the Group as at 31 December 2010 and 2011 are estimated to be higher than the Group's year-end average cash and cash equivalents balance for the three financial years ended 31 December 2008 of approximately HK\$259.1 million. Based on the above, we consider it is justifiable to propose an average annual growth factor of 10% to the proposed annual caps under the Entrusted Loan Master Agreement for each of the two financial years ending 31 December 2011.

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

Generally speaking, in our opinion, it is in the interests of the Group for the abovementioned Revised Caps and the Proposed Annual Caps to be as accommodating to the Group as possible (within reason). Provided that the terms of the Supplemental Agreement and the Entrusted Loan Master Agreement are fair and reasonable and the conduct of those transactions contemplated thereunder would be subject to annual review by the independent non-executive Directors and the auditors of the Company as required under the Listing Rules, the Group would have flexibility in conducting its businesses if the Revised Caps and the Proposed Annual Caps are tailored to future business growth. In assessing the reasonableness of the Revised Caps and the Proposed Annual Caps, we have discussed with the management of the Group regarding their estimated sales volume and the basis of the calculations. On the other hand, there is current global financial and credit crisis which may have/have had significant impact on the global economy. However, we are not able to assess the likelihood and/or extent of the impact as well as to quantify the impact on the global software or information products business and such factor, as

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## LETTER FROM KGI CAPITAL

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a result, have not been taken into consideration in determining the Revised Caps and the Proposed Annual Caps. Therefore, Shareholders should note that the Revised Caps and the Proposed Annual Caps relate to future events and do not represent a forecast of amounts to be transacted as a result of the Supplemental Agreement and the Entrusted Loan Master Agreement or as an assurance by the Group of its future revenue. Consequently, we express no opinion as to how closely the actual transaction amounts of the Supplemental Agreement and the Entrusted Loan Master Agreement correspond with the Revised Caps and the Proposed Annual Caps respectively as discussed above.

### RECOMMENDATION

Having considered the above principal factors and reasons, we consider that (i) the terms of the Supplemental Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable, and in the interests of the Company and the Shareholders as a whole and the Revised Caps are fair and reasonable so far as the interests of the Independent Shareholders are concerned; and (ii) the terms of the Entrusted Loan Master Agreement are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole and the Proposed Annual Caps are fair and reasonable so far as the interests of the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the Entrusted Loan Master Agreement (including the Proposed Annual Caps), which will be proposed at the SGM. In addition, we recommend the Independent Director to advise the Independent Shareholders and recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the Supplemental Agreement and the Revised Caps, which will be proposed at the SGM.

Yours faithfully,

For and on behalf of

**KGI Capital Asia Limited**

**Laurent Leung**

*Director*

**Jimmy Chan**

*Senior Vice President*

**1. INDEBTEDNESS**

At the close of business on 31 May 2009, 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\$67.5 million which comprised unsecured bank loans of approximately HK\$59.9 million, a secured bank loan of approximately HK\$7.4 million and obligation under finance lease of approximately HK\$0.2 million. The unsecured bank loans of approximately HK\$45.6 million and HK\$14.3 million were guaranteed by Peking Founder and the Company respectively. The secured bank loan was secured by the pledge of the Group's bank deposit of approximately HK\$11.4 million and guaranteed by the Company. The obligation under finance lease was secured by a motor vehicle of the Group with a net book value of approximately HK\$0.1 million.

Save as the above and apart from intra-group liabilities, the Group did not have, at the close of business on 31 May 2009, 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 and in the absence of the 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 2008, being the date to which the latest published audited consolidated accounts of the Company were made up.

**4. PROSPECT**

China is still in a stage of rapid development. With its huge domestic market size, enormous investment potential and the ever-improving macro economic control measures, the overall booming trend of China's economy will not change in the long term. However, in the short term, especially in 2009, China's economy will continue to be impacted by the financial tsunami, and there is a risk that the impact may deepen further. The Group has devised various management strategies to open up more distribution channels and aligning with more international information products manufacturers for broadening its revenue base.

Although the macro economy will still face significant uncertainties in the short term, the Central Government and local government of China at various levels have successively initiated measures to expand domestic demand and boost economic growth in response to the impact of the financial tsunami, and these measures are beneficial to revitalizing economy and shortening the economic revival period.



In addition, the relatively relaxed credit environment at present and a relaxation of restrained conditions recently, may stimulate the domestic demand for information products. Under the prevailing situation where opportunities and challenges coexist, the Group will continue to adopt a prudent operating strategy, a sound financial strategy and a pro-active business strategy to realize a sustainable and healthy development of the Group.

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

The Group recorded an audited consolidated profit attributable to the equity holders of the Company of approximately HK\$18.36 million for the year ended 31 December 2008. Assuming that HK\$226.89 million (or approximately, RMB200 million, being the cap amount for the year ended 31 December 2009) were fully utilized according to the terms of the Entrusted Loan Master Agreement during the year ended 31 December 2008, the Group's consolidated profit attributable to the equity holders would have been increased by approximately HK\$11 million for the year ended 31 December 2008. Taking into account this interest income which could derive from the entrusted loans as contemplated under the Entrusted Loan Master Agreement, the Company expects to have positive effect on its earnings as well as earning per share for the Shareholders.

Cash flow of the Group was mainly generated from business operation. As at 31 December 2008, cash and cash equivalents of approximately HK\$212.54 million was recorded when compared with the average of approximately HK\$260 million for the three years ended 31 December 2008.

On the assets side, the Group's current assets will be inflated by increase in other receivables through granting of the entrusted loans under the Entrusted Loan Master Agreement. However, the net effect of such increase in other receivables will be offset by corresponding decrease in cash balance. The Directors are of the view that the net current assets of the Group will not be materially affected by entering into the entrusted loans as contemplated under the Entrusted Loan Master Agreement.

As the funding for the entrusted loans under the Entrusted Loan Master Agreement would be derived from cash generated from the Group, the Directors consider that there would not be any material liability nor contingent liability arising from entering into the relevant entrusted loans as contemplated under the Entrusted Loan Master Agreement.



## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. 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.

## 2. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Listing Rules, were as follows:

### (a) Long positions in the Shares of the Company under the SFO

Name of Director	Number of ordinary shares held and nature of interest		Percentage of the Company’s issued share capital
	Directly beneficially owned	Through controlled corporation	
Mr Zhang Zhao Dong	3,956,000	–	0.36%
Mr Zheng Fu Shuang	–	229,601,000 ( <i>Note</i> )	20.76%

*Note:* Mr Zheng Fu Shuang is interested in these shares through Shining Wisdom Group Limited (“Shining Wisdom”), a company which is beneficially and wholly owned by Mr Zheng Fu Shuang.

### (b) Short positions in the Shares of the Company under the SFO

Name of Director	Number of ordinary shares held and nature of interest		Percentage of the Company’s issued share capital
	Directly beneficially owned	Through controlled corporation	
Mr Zheng Fu Shuang	–	229,601,000 ( <i>Note</i> )	20.76%

*Note:* Mr Zheng Fu Shuang is interested in these shares through Shining Wisdom, a company which is beneficially and wholly owned by Mr Zheng Fu Shuang.

**(c) Directors' rights to acquire shares in the Company and any of its associated corporations**

On 24 May 2002, the Company adopted a share option scheme (the "2002 Scheme") in compliance with Chapter 17 of the Listing Rules.

The share option scheme adopted by the Company on 7 May 2001 (the "2001 Scheme") was terminated on 24 May 2002, however, the options granted under the 2001 Scheme remain in full force and effect.

The following Director held share options that were outstanding under the 2002 Scheme as at the Latest Practicable Date:

Name of Director	Number of share options Held	Date of grant of share Options	Exercise period of share options	Exercise price of share options <i>HK\$</i>
<i>2002 Scheme</i>				
Mr Zhang Zhao Dong	8,000,000	06.02.2004	07.02.2004 to 05.02.2014	0.381

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 2008, being the date to which the latest published audited consolidated accounts of the Company were made up.

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

As at the Latest Practicable Date, none of the Directors and his/her associate had any interests which competed or was likely to compete, either directly or indirectly, with the Group's business.

### 3. SUBSTANTIAL SHAREHOLDERS

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

#### Long positions

Name	Notes	Capacity and nature of interest	Long positions		Short positions	
			Number of ordinary shares held	Percentage of the Company's issued share Capital	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*)	1	Through a controlled corporation	363,265,000	32.84%	-	-
Peking Founder	2	Through a controlled corporation	363,265,000	32.84%	-	-
Founder		Directly beneficially owned	363,265,000	32.84%	-	-
Shining Wisdom	3	Directly beneficially owned	229,601,000	20.76%	229,601,000	20.76%
International Finance Corporation	3	Beneficiary of a charge	114,800,500	10.38%	-	-
Zhong Liang	3	Beneficiary of a charge	109,601,000	9.91%	-	-
Peking University Education Foundation		Directly beneficially owned	93,240,000	8.43%	-	-
Peking University Education Foundation		Beneficiary of a trust	2,330,000	0.21%	-	-
Ms Li Yong Hui	4	As trustee	60,671,600	5.49%	-	-
Ms Ying Yu Ling	4	As trustee	60,671,600	5.49%	-	-
F2 Consultant Limited	4	Owned as nominee	60,671,600	5.49%	-	-
HSBC International Trustee Limited	5	Through a controlled corporation	60,500,000	5.47%	-	-
Sun Hung Kai Properties Limited	5	Through a controlled corporation	60,500,000	5.47%	-	-
Sunco Resources Limited	5	Through a controlled corporation	60,500,000	5.47%	-	-
SUNeVision Holdings Ltd.	5	Through a controlled corporation	60,500,000	5.47%	-	-
Hugh Profit Investments Ltd.	5	Through a controlled corporation	60,500,000	5.47%	-	-
Well Drive Holdings Limited		Directly beneficially owned	60,500,000	5.47%	-	-

\* For identification purpose only

#### Notes:

1. Peking University Asset Management Company Limited is deemed to be interested in the 363,265,000 shares of the Company under the SFO by virtue of its interest in Peking Founder.
2. Peking Founder is deemed to be interested in the 363,265,000 shares of the Company under the SFO by virtue of its interest in Founder.

3. Mr Zheng Fu Shuang is interested in these shares through Shining Wisdom. The 229,601,000 shares of the Company held by Shining Wisdom are charged to International Finance Corporation which are classified as a short position of Shining Wisdom under the SFO. Out of these 229,601,000 shares of the Company held by Shining Wisdom, 109,601,000 shares are charged to Mr Zhong Liang which are classified as a short position of Shining Wisdom under the SFO.
4. F2 Consultant Limited holds the shares of the Company as nominee on behalf of the directors of Founder Data Corporation International Limited (“FDC”) who are acting in their capacity as the trustees of a discretionary trust for the employees of FDC and its subsidiaries. Ms Li Yong Hui and Ms Ying Yu Ling are the directors of FDC.
5. Each of HSBC International Trustee Limited, Sun Hung Kai Properties Limited, Sunco Resources Limited, SUNeVision Holdings Ltd. and Hugh Profit Investments Ltd. is deemed to be interested in the 60,500,000 shares of the Company under the SFO by virtue of its, direct or indirect, interests in Well Drive Holdings Limited.

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

#### **4. DIRECTORS’ SERVICE CONTRACTS**

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

#### **5. EXPERT**

KGI Capital is a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under SFO.

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

As at the Latest Practicable Date, KGI Capital did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2008, being the date to which the latest published audited consolidated accounts of the Company were made up.

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

**6. LITIGATION AND CLAIMS**

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

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

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

**8. MATERIAL CONTRACTS**

The Entrusted Loan Master Agreement is the only material contract (not being contracts entered into in the ordinary course of business) entered into by the members of the Group within two years immediately preceding the date of the Announcement and up to and including the Latest Practicable Date.

**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 office 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 22 July 2009, the date of the SGM:

- (i) the bye-laws of the Company;
- (ii) the annual reports of the Company for the two years ending 31 December 2008;
- (iii) the Supplemental Agreement;
- (iv) the Entrusted Loan Master Agreement;

- (v) the letter from the Independent Board Committee, the text of which is set out on page 14 of this circular;
- (vi) the letter from the Independent Director, the text of which is set out on page 15 of this circular;
- (vii) the letter from KGI Capital, the text of which is set out on pages 16 to 28 of this circular; and
- (viii) the letter of consent from KGI Capital referred to in the paragraph headed “Expert” above.

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## NOTICE OF SGM

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**NOTICE IS HEREBY GIVEN** that a special general meeting of EC-Founder (Holdings) Company Limited (the “Company”) will be held at 10:30 a.m. on Wednesday, 22 July 2009 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 proposed annual caps in relation to the sales of information hardware products to the Founder Group (as defined in the circular to shareholders of the Company dated 3 July 2009 (the “Circular”)) by the Group (as defined in the Circular) as contemplated under the Supplemental Agreement (as defined in the Circular) for the three years ending 31 December 2011 and all the transactions contemplated under the Supplemental Agreement be and are hereby approved; and
- (b) any one Director be and is hereby authorised to do all such acts or things, as he/she may in his/her absolute discretion consider necessary or desirable, to give effect to the Supplemental Agreement and the transactions contemplated thereunder.”

2. **“THAT:**

- (a) the Entrusted Loan Master Agreement (as defined in the Circular) in relation to the provision of entrusted loans to the Peking Founder Group (as defined in the Circular) by the Group (as defined in the Circular), and all the transactions contemplated under the Entrusted Loan Master Agreement 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 2011 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.”

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

Hong Kong, 3 July 2009

\* For identification purpose only

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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"), Founder Holdings Limited and its associates (as defined in the Listing Rules) are required to abstain from voting on the above ordinary resolutions.
5. The ordinary resolutions as set out above will be determined by way of a poll.