
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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



China Everbright Capital Limited

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 pages 14 to 15 of this circular. A letter from China Everbright Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 32 of this circular.

A notice convening the special general meeting to be held at 11:00 a.m. on Tuesday, 6 December 2011 at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong is set out on pages 40 to 41 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

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	14
LETTER FROM CHINA EVERBRIGHT CAPITAL LIMITED	16
APPENDIX I – FINANCIAL INFORMATION OF THE GROUP	33
APPENDIX II – GENERAL INFORMATION	35
NOTICE OF SGM	40

DEFINITIONS

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

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

DEFINITIONS

“Independent Board Committee”	the independent committee of the Board comprising Mr Li Fat Chung, Ms Wong Lam Kit Yee and Ms Cao Qian, being all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders on the terms of the Entrusted Loan Master Agreement, the Master Sales Agreement and their respective annual caps;
“Independent Shareholders”	the shareholders of the Company other than Founder, Peking Founder and their respective associates;
“Independent Financial Adviser” or “China Everbright”	China Everbright Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Entrusted Loan Master Agreement (including the proposed annual caps for the three years ending 31 December 2014) and the Master Sales Agreement (including the proposed annual caps for the three years ending 31 December 2014);
“Latest Practicable Date”	14 November 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Master Sales Agreement”	the agreement dated 1 November 2011 between the Company and Peking Founder pursuant to which the Company agreed to supply certain information hardware products to Peking Founder for a three years term until 31 December 2014;
“Peking Founder”	北大方正集團有限公司 (Peking University Founder Group Company Limited*), a company established in the PRC with limited liabilities and 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;
“PRC Century”	Beijing Founder Century Information Systems Co., Ltd., a wholly-owned subsidiary of the Company;

DEFINITIONS

“Refreshed Limit”	the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme(s) of the Company, being 10% of the Shares in issue as at the date of approving such Refreshed Limit by the Shareholders passing an ordinary resolution at the SGM;
“RMB”	Renminbi, the lawful currency of the PRC;
“Scheme Mandate Limit”	the maximum number of Shares which may be issued upon exercise of all options granted or to be granted under the Share Option Scheme and any other scheme(s) of the Company, being 10% of the Shares in issue on 24 May 2002 (the date on which the Share Option Scheme was adopted);
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong);
“SGM”	the special general meeting of the Company to be convened and held for the Independent Shareholders to consider and approve (among other things), if thought fit, the Entrusted Loan Master Agreement, the Master Sales Agreement and their respective annual caps and for the Shareholders to consider and approve, if thought fit, the refreshment of the Scheme Mandate Limit under the Share Option Scheme;
“Share(s)”	the ordinary shares of HK\$0.1 each in the issued share capital of the Company;
“Share Option Scheme”	the share option scheme adopted by the Company on 24 May 2002;
“Shareholder(s)”	holder(s) of the Share;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meaning ascribed to it under the Listing Rules; and
“%”	per cent.

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

** For identification purpose only*

LETTER FROM THE BOARD



EC-FOUNDER (HOLDINGS) COMPANY LIMITED 方正數碼(控股)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00618)

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

Principal place of business in

Hong Kong:

Unit 1408, 14th Floor

Cable TV Tower

9 Hoi Shing Road

Tsuen Wan

New Territories

Hong Kong

Independent non-executive Directors:

Mr Li Fat Chung

Ms Wong Lam Kit Yee

Ms Cao Qian

17 November 2011

To the Shareholders

Dear Sir or Madam,

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

1. INTRODUCTION

Reference is made to the Announcement in relation to the transactions contemplated under the Entrusted Loan Master Agreement and the Master Sales Agreement.

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

* For identification purpose only

LETTER FROM THE BOARD

2. THE ENTRUSTED LOAN MASTER AGREEMENT

Date

1 November 2011

Parties

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

Entrusted loans to be provided by the Company

The Company entered into an entrusted loan master agreement on 12 June 2009 with Peking Founder which will expire on 31 December 2011. Accordingly, the Company has entered into the Entrusted Loan Master Agreement with Peking Founder pursuant to which the Group would provide short-term loans through a financial institution (to be designated by the parties and being an independent third party to the Company and its connected persons) to Peking Founder Group. Such loans will be unsecured and interest-bearing at the prevailing benchmark RMB lending rate for loan period of six months offered by The People's Bank of China ("PBOC") plus 15% of such rate. For example, if the prevailing benchmark RMB lending interest rate as quoted by the PBOC is 5% per annum, the interest rate for the entrusted loans would be 5.75% per annum. Under the Entrusted Loan Master Agreement, no collateral was provided by Peking Founder to the Company. Separate entrusted loan agreements will be entered into between the Group, Peking Founder Group and the designated financial institution upon request by Peking Founder pursuant to the terms and conditions of the Entrusted Loan Master Agreement.

Period

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

LETTER FROM THE BOARD

Historical figures and annual caps for the entrusted loans

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

	Year ended 31 December 2009 <i>RMB million</i>	Year ended 31 December 2010 <i>RMB million</i>	9 months ended 30 September 2011 <i>RMB million</i>	Year ending 31 December 2011 <i>RMB million</i>	Year ending 31 December 2012 <i>RMB million</i>	Year ending 31 December 2013 <i>RMB million</i>	Year ending 31 December 2014 <i>RMB million</i>
Historical figures	30	84	195	N/A	N/A	N/A	N/A
Historical annual caps	200	220	N/A	242	N/A	N/A	N/A
Proposed annual caps	N/A	N/A	N/A	N/A	242	242	242

The maximum daily outstanding amount of the entrusted loan (including principal and interests) for each of the two years ended 31 December 2010 and the nine months ended 30 September 2011 were approximately RMB30.4 million, RMB151.6 million and RMB233.7 million respectively.

As the entrusted loan under the Entrusted Loan Master Agreement will be funded from the idle cash and unutilized bank borrowings of PRC Century, a subsidiary of the Company which is principally engaged in the distribution of information products, the annual cap amounts for the Entrusted Loan Master Agreement are determined based on average cash and bank balance available of PRC Century and its average total monthly net profit/loss for the nine months ended 30 September 2011.

Based on the above, the relevant annual caps are set in the amount of RMB242 million for each of the three years ending 31 December 2014.

Repayment term

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

Events of default

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

- (1) Peking Founder Group provides false balance sheets, profit and loss statements and other financial statements or provides such statements which withhold material facts;

LETTER FROM THE BOARD

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

Conditions

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

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

Reasons and benefit to the Group

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

The Group is principally engaged in distribution of information hardware products in Hong Kong and in the PRC.

LETTER FROM THE BOARD

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

As at the Latest Practicable Date, part of the Group's existing bank borrowings in the sum of RMB230 million was utilized to provide entrusted loans to Peking Founder Group. The Group will continue to consider utilizing its banking facilities to provide entrusted loan to Peking Founder from time to time if it considers that (i) the interest income from Peking Founder would cover all necessary interest expenses to be incurred by the Group; (ii) the return from the entrusted loan is higher than the return from bank deposits and (iii) the Group will not bear additional liquidity risks.

The terms of the Entrusted Loan Master Agreement, including the interest rate applicable, were agreed by the parties after arm's length negotiations having taken into account the prevailing market interest rates and practices. The Directors consider that the interest rate under the Entrusted Loan Master Agreement is favourable to the Group and the provision of the entrusted loans to Peking Founder Group could generate a higher return for the idle surplus cash of the Group. Taken into consideration the creditworthiness of Peking Founder Group and its sound financial performance in the past that Peking Founder Group has never defaulted in repayment of the entrusted loans granted by the Group, the Directors consider that the entrusted loan arrangement will definitely bring in more value to the Shareholders as a whole by enhancing the monetary return of the Group's surplus funds generated from operations. Based on the above, the Directors consider that the terms of the Entrusted Loan Master Agreement and the transactions contemplated therein are on normal commercial terms and are fair and reasonable so far as Independent Shareholders are concerned though not in the ordinary and usual course of business of the Group but are in the interests of the Company and the Shareholders as a whole.

Listing Rules Implications

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

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

LETTER FROM THE BOARD

Therefore, the transactions contemplated under the Entrusted Loan Master Agreement will constitute continuing connected transactions for the Company. Further, provision of the entrusted loans under the Entrusted Loan Master Agreement may also constitute (i) advance to an entity under Rule 13.13 of the Listing Rules, (ii) financial assistance provided by the Company not in the ordinary and usual course of business and a major transaction under Chapter 14 of the Listing Rules. As one or more of the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules for the transactions contemplated under the Entrusted Loan Master Agreement exceeds 5% and the consideration for the above transactions exceed HK\$10,000,000, the transactions contemplated under the Entrusted Loan Master Agreement constitute non-exempt continuing connected transactions for the Company and are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

3. MASTER SALES AGREEMENT

The Group has been supplying information hardware products to Peking Founder Group on normal commercial terms and in the ordinary and usual course of business pursuant to an agreement which will expire on 31 December 2011. Accordingly the Company has entered into the Master Sales Agreement with Peking Founder on 1 November 2011 to continue the transactions for the supply of information hardware products to Peking Founder Group. The terms of the Master Sales Agreement shall become effective, subject to the obtaining approval of the Independent Shareholders in the SGM, for a term of three years from 1 January 2012 to 31 December 2014.

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

Actual sales and annual caps

The following table sets out the actual sales figures for each of the two years ended 31 December 2010 and the nine months ended 30 September 2011, historical annual caps for each of the three years ending 31 December 2011, and the proposed annual caps for each of the three years ending 31 December 2014:

	Year ended 31 December 2009 <i>RMB'000</i>	Year ended 31 December 2010 <i>RMB'000</i>	9 months ended 30 September 2011 <i>RMB'000</i>	Year ending 31 December 2011 <i>RMB'000</i>	Year ending 31 December 2012 <i>RMB'000</i>	Year ending 31 December 2013 <i>RMB'000</i>	Year ending 31 December 2014 <i>RMB'000</i>
Actual sales	40,462	119,730	186,393	N/A	N/A	N/A	N/A
Historical annual caps	52,600	509,073	N/A	712,702	N/A	N/A	N/A
Proposed annual caps	N/A	N/A	N/A	N/A	712,702	712,702	712,702

LETTER FROM THE BOARD

Peking Founder Group has been purchasing information hardware products from the Group for providing software solutions to and establishing computer systems for its clients. The proposed annual caps as contemplated under the Master Sales Agreement are determined with reference to the historical monthly sales volume of the Company, the historical values of the transactions and the expected purchases estimated by Peking Founder. Following the business integration of Peking Founder Group after its acquisition of 北京方正奧德計算機系統有限公司 (Beijing Founder Order Computer Systems Co., Ltd.*) which was completed on 4 November 2010 and as a result of the continuing business diversification and expansion of Peking Founder Group, it is expected that Peking Founder Group's demand for the information hardware products will continue to increase in the near future and therefore the proposed annual caps for each of the three years ending 31 December 2014 are significantly higher than the historical transaction amount.

Reason for and benefits of the Master Sales Agreement

Peking Founder Group is principally engaged in the securities trading and brokerage and the information technology industry, including software and system development for the publishing sector and various government bureaus and financial institutions and hardware manufacturing for personal computers, chips, circuit boards and other terminal equipment, and the healthcare and pharmaceutical industry, including hospitals, pharmaceuticals, logistics, equipment leasing and hospital management. The Group is principally engaged in distribution of information hardware products in Hong Kong and in the PRC. Peking Founder Group has been purchasing information hardware products for its customers in order to establish computer systems, and provide software solutions to its clients. The Board considers that it is beneficial to the Group to supply information hardware products to Peking Founder Group on normal commercial terms, thus broadening its customer and revenue base. The Board considers that the terms of the Master Sales Agreement were arrived at after arm's length negotiations between the parties involved. The Master Sales Agreement will be entered into in the ordinary and usual course of business of the Group. The Directors consider that the transactions under the Master Sales Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and that the proposed annual caps for the transactions contemplated under the Master Sales Agreement are fair and reasonable.

Listing Rules Implications

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

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

LETTER FROM THE BOARD

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

4. PROPOSED REFRESHMENT OF THE SCHEME MANDATE LIMIT

As at 24 May 2002, being the adoption date of the Share Option Scheme, the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme was 82,056,204 Shares, being 10% of the Shares in issue on the date which the Share Option Scheme was adopted.

As at the Latest Practicable Date, out of the total of 70,000,000 options granted under the Share Option Scheme (including exercised, outstanding, cancelled or lapsed) subsequent to 24 May 2002, 5,500,000 options were exercised, 34,500,000 options were outstanding and 30,000,000 options were lapsed.

Unless the Scheme Mandate Limit is refreshed at the SGM, up to 42,056,204 Shares may be issued pursuant to the grant of further options under the existing Scheme Mandate Limit. It is proposed that subject to the approval of the Shareholders at the SGM and such other requirements prescribed under the Listing Rules, the limit on grant of options under the Share Option Scheme will be increased to the Refreshed Limit and, options previously granted under the Share Option Scheme or any other share option scheme(s) of the Company (including those exercised, outstanding, cancelled or lapsed in accordance with the Share Option Scheme or such other scheme(s) of the Company) will not be counted for the purpose of calculating the limit as refreshed.

Pursuant to the Listing Rules, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company at any time will not exceed 30% of the Shares in issue from time to time. No options shall be granted under any scheme(s) of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded. As at the Latest Practicable Date, the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised was 34,500,000, representing approximately 3.12% of the existing issued share capital of the Company.

As at the Latest Practicable Date, there were 1,106,062,040 Shares in issue. Assuming that no further Shares will be issued or repurchased prior to the date of approving the refreshment of the Scheme Mandate Limit by the Shareholders, the maximum number of Shares which fall to be issued upon exercise of all options that may be granted by the Company under the Refreshed Limit would be 110,606,204 Shares, representing 10% of the Shares in issue as at the date of the approval of the proposed refreshment of the Scheme Mandate Limit to the Refreshed Limit by the Shareholders at the SGM. No outstanding share options of the Company will be lapsed as a result the refreshment of the Scheme Mandate Limit. Save for the Share Option Scheme, the Company has no other share option scheme(s) as at the Latest Practicable Date.

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

LETTER FROM THE BOARD

Conditions

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

The adoption of the Refreshed Limit is conditional upon:

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

Application for Listing

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

5. SGM

A notice convening the SGM to be held at 11:00 a.m. on Tuesday, 6 December 2011 at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong is set out on pages 40 to 41 of this circular for the purpose of considering and, if thought fit, passing the ordinary resolutions in relation to the Entrusted Loan Master Agreement, the Master Sales Agreement and their respective annual caps, and the proposed refreshment of the Scheme Mandate Limit under the Share Option Scheme.

The ordinary resolutions to be proposed at the SGM will be determined by way of poll. Any shareholder with a material interest in the Entrusted Loan Master Agreement and/or the Master Sales Agreement and his/her/its associates will abstain from voting on the relevant resolutions. Accordingly, (i) Founder, together with its associates, which held 363,265,000 Shares as at the Latest Practicable Date and (ii) Peking Founder, together with its associates, which will hold 363,265,000 Shares after the completion of the sale of 363,265,000 Shares by Founder to Founder Information as contemplated under the conditional sale and purchase agreement entered into between Founder and Founder Information dated 29 August 2011, are required to abstain from voting with respect to the resolution for approving the Entrusted Loan Master Agreement, the Master Sales Agreement and their respective annual caps.

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.

LETTER FROM THE BOARD

6. RECOMMENDATION

The Independent Board Committee has been appointed to advise the Independent Shareholders in connection with the terms of the transactions contemplated under the Entrusted Loan Master Agreement (including the proposed annual caps for the three years ending 31 December 2014) and the Master Sales Agreement (including the proposed annual caps for the three years ending 31 December 2014).

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

Except for (i) Mr Zhang Zhao Dong is the director of Peking Founder; and (ii) being Directors and their respective interest in shares and share option in the Company and its associated corporation as disclosed in Appendix II of this circular, the Directors do not have material interest in the Entrusted Loan Master Agreement or the Master Sales Agreement.

As Mr Zhang Zhao Dong is the director of Peking Founder, he has abstained from voting on the board resolutions approving the Entrusted Loan Master Agreement and the Master Sales Agreement.

The Independent Board Committee, having taken into account the advice of China Everbright, is of the view that the transactions contemplated under the Entrusted Loan Master Agreement and the Master Sales Agreement are on normal commercial terms, the terms of the transactions contemplated under the Entrusted Loan Master Agreement, the Master Sales Agreement and their respective annual caps for the three years ending 31 December 2014 are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolutions in relation to the Entrusted Loan Master Agreement and the Master Sales Agreement set out in the notice of SGM enclosed to this circular.

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

7. GENERAL

Your attention is also drawn to the letter from the Independent Board Committee, the letter from China Everbright and the additional information set out in appendices 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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



17 November 2011

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular dated 17 November 2011 issued by the Company (the “Circular”) of which this letter forms part. Terms used in this letter shall bear the same meanings as given to them in the Circular unless the context otherwise requires.

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

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 13 of the Circular, and the letter from China Everbright to the Independent Board Committee containing its advice in respect of the Entrusted Loan Master Agreement (including the proposed annual caps for the three years ending 31 December 2014) and the Master Sales Agreement (including the proposed annual caps for the three years ending 31 December 2014), as set out on pages 16 to 32 of the Circular.

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account of the principal factors and reasons considered by China Everbright and its conclusion and advice, we consider that transactions contemplated under the Entrusted Loan Master Agreement and the Master Sales Agreement are on normal commercial terms, the terms of the transactions contemplated under the Entrusted Loan Master Agreement (including the proposed annual caps for the three years ending 31 December 2014) and the Master Sales Agreement (including the proposed annual caps for the three years ending 31 December 2014) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the transactions contemplated under the Entrusted Loan Master Agreement (including the proposed annual caps for the three years ending 31 December 2014) and the Master Sales Agreement (including the proposed annual caps for the three years ending 31 December 2014).

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*

LETTER FROM CHINA EVERBRIGHT CAPITAL LIMITED

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



17 November 2011

*To the Independent Board Committee and the Independent Shareholders of
EC-Founder (Holdings) Company Limited*

Dear Sirs,

**(1) MAJOR TRANSACTION AND CONTINUING CONNECTED
TRANSACTIONS: ENTRUSTED LOAN MASTER AGREEMENT;
AND
(2) CONTINUING CONNECTED TRANSACTIONS:
MASTER SALES AGREEMENT**

INTRODUCTION

We refer to our engagement as the independent financial adviser to make recommendations to the Independent Board Committee and the Independent Shareholders in relation to (i) the provision of short-term RMB loans (“**Provision of Entrusted Loans**”) through a financial institution by the Group to Peking Founder in the PRC for a term of three years ending 31 December 2014 contemplated under the Entrusted Loan Master Agreement and (ii) the supply of certain information hardware products, including but not limited to, desktop computers, laptop computers, servers, networking tools, internet products, monitors and software (“**Supply of Information Products**”) by the Group to Peking Founder from 1 January 2012 to 31 December 2014 contemplated under the Master Sales Agreement with Peking Founder (collectively, “**Continuing Connected Transactions**”), details of which are set out in the letter from the Board (“**Letter from the Board**”) contained in the circular to the Shareholders dated 17 November 2011 (“**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

As set out in the Letter from the Board, since the entrusted loan master agreement (“**Existing Entrusted Loan Master Agreement**”) dated 12 June 2009, master sales agreement (“**Existing Master Sales Agreement**”) dated 15 December 2008, as supplemented on 12 June 2009, and their respective annual caps will expire on 31 December 2011, the Entrusted Loan Master Agreement and the Master Procurement Agreement have been entered into between the Company and Peking Founder on 1 November 2011 in order to govern and specify the terms and conditions adopted and the proposed annual caps for the transactions contemplated under the Entrusted Loan Master Agreement and the Master Procurement Agreement, respectively.

LETTER FROM CHINA EVERBRIGHT CAPITAL LIMITED

As at the Latest Practicable Date, the Company was owned as to approximately 32.84% by Founder which in turn was owned as to approximately 32.49% by Peking Founder. Since Peking Founder can exercise control over the composition of a majority of the board of directors of each of the Company and Founder and that Founder is a controlling shareholder of the Company, Peking Founder is deemed as a connected person of the Company under Chapter 14A of the Listing Rules by virtue of its association with the Company and Founder. After the completion of the sale of 363,265,000 shares of the Company, representing approximately 32.84% of the issued share capital of the Company, by Founder to Founder Information as contemplated under the conditional sale and purchase agreement entered into between Founder and Founder Information dated 29 August 2011, the Company will be owned as to 32.84% by Founder Information, which is a subsidiary of Peking Founder. In such circumstances, Founder Information is a connected person of the Company and Peking Founder is also regarded as an associate of a connected person of the Company for the purposes of Chapter 14A of the Listing Rules.

The Provision of Entrusted Loans may constitute (i) advance to an entity under Rule 13.13 of the Listing Rules; (ii) financial assistance provided by the Company not in the ordinary and usual course of business and (iii) a major transaction under Chapter 14 of the Listing Rules. In addition, as one or more of the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules in respect of the proposed annual caps for the transactions contemplated under the Entrusted Loan Master Agreement and the Master Sales Agreement are more than 5% and the maximum annual values of each of the above transactions exceed HK\$10 million, the transactions contemplated under the Entrusted Loan Master Agreement and the Master Sales Agreement are subject to the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all of three independent non-executive Directors, has been formed to consider whether (i) the terms of the Entrusted Loan Master Agreement and the Master Sales Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group; and (ii) transactions contemplated under the Entrusted Loan Master Agreement and the Master Sales Agreement, including their respective proposed annual caps, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and to make recommendations to the Independent Shareholders in respect thereof. We, China Everbright Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

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

LETTER FROM CHINA EVERBRIGHT CAPITAL LIMITED

BASIS OF OUR OPINION

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

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

(1) Entrusted Loan Master Agreement

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

(i) Business and financial position of the Group

The Group is principally engaged in the distribution of information products such as servers, printers, switches, networking products, storage devices, workstations, mobile phones and optical screen products of a number of internationally famed and branded information products manufacturers such as HP, H3C, Apple, CommScope, Barco, Brocade, Hitachi, Epson and Iomega. As advised by the Management, the Group has further expanded the sales team and has increased marketing and selling effort, so as to broaden customer base and strengthen position in the PRC’s information products distribution business. The Group is dedicated for a medium to long term development plan of maintaining a satisfactory growth, and will focus on the distribution of information products with higher margin and exploring the more profitable value-added service business. Moreover, the Management will also place stronger emphasis on operating cash flow, stringent control on working capital such as trade receivable and payables and inventory and cost management. The Group will continue to look for alliance with other international information products suppliers and investment opportunities. As advised by the Management, the abovementioned strategies are expected to bring forth high sales volume and thus better cashflow, which will create the need for fund management within the Group in an efficient and effective manner.

LETTER FROM CHINA EVERBRIGHT CAPITAL LIMITED

According to the 2011 interim report (“**2011 Interim Report**”) of the Company, the Group had (i) total cash and bank balances of approximately HK\$389.4 million; (ii) undue entrusted loan and related interest receivable from Peking Founder Group of approximately HK\$277.2 million and HK\$4.4 million; and (iii) pledged deposits of approximately HK\$205.8 million as at 30 June 2011, respectively. As at 30 June 2011, the Group had approximately HK\$526.2 million interest-bearing bank borrowings, of which HK\$463.9 million were fixed interest bearing with average interest rate of 6.21% and HK\$62.3 million were floating interest bearing with average interest rate of 4.59%. The Group’s banking facilities were secured by corporate guarantees given by the Company and Peking Founder. Temporarily surplus cash of the Group is generally placed in short-term deposits denominated in Hong Kong dollars (“**HKD**”), RMB and United States dollars (“**USD**”).

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

As at 30 September 2011, (i) the Group’s cash held in the PRC and denominated in RMB; and (ii) undue entrusted loans payable by Peking Founder Group amounted to approximately RMB410.8 million and RMB233.7 million, respectively (collectively, “**Surplus Cash**”). Meanwhile, the Group’s bank borrowings in the PRC and denominated in RMB amounted to approximately RMB450 million as at 30 September 2011. As illustrated above, the amount of Surplus Cash, after deducting the related bank borrowings in the PRC and denominated in RMB, is approximately 80% the proposed annual caps under the Entrusted Loan Master Agreement.

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

In order to achieve greater flexibility in the Group’s cash management to enhance the return on its temporarily surplus cash available, on 12 June 2009, the Company, as the lender, entered into the Existing Entrusted Loan Master Agreement with Peking Founder, as the borrower, pursuant to which the Group would, subject to certain conditions, provide short-term RMB loans through a financial institution to be designated by the parties and being an independent third party to the Company and its connected persons (the “**Designated Financial Institution**”) to the Peking Founder Group in the PRC. Such loans will be unsecured and interest-bearing at the prevailing benchmark RMB lending rate for loan period of six months offered by The People’s Bank of China (“**PBOC**”) plus 10% of such rate.

As disclosed in the 2011 Interim Report, on 6 December 2010, the Group provided a three-month short term loan of approximately HK\$82,266,000 to a subsidiary of the Peking Founder and the related interest of approximately HK\$1,386,000 was earned by Group during the six months ended 30 June 2011. The entrusted loan and related interest receivable were fully settled by Peking Funder Group during the six months ended 30 June 2011.

LETTER FROM CHINA EVERBRIGHT CAPITAL LIMITED

On 21 March 2011, the Group provided a six-month short term loan of approximately HK\$192,800,000 to a subsidiary of the Peking Founder and the related interest of approximately HK\$3,103,000 was earned by the Group during the six months ended 30 June 2011. On 29 March 2011, the Group provided a six-month short term loan of approximately HK\$84,350,000 to a subsidiary of the Peking Founder and the related interest of approximately HK\$1,298,000 was earned by Group during the six months ended 30 June 2011. The above loans were unsecured and bears an interest at the prevailing benchmark Renminbi lending rate for loan period of six months offered by the PBOC plus 10% of such rate.

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

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

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

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

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

LETTER FROM CHINA EVERBRIGHT CAPITAL LIMITED

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

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

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

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

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

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

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

LETTER FROM CHINA EVERBRIGHT CAPITAL LIMITED

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

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

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

(B) Major terms of the Entrusted Loan Master Agreement

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

- (i) the Entrusted Loan Master Agreement shall take immediate effect after satisfaction of the conditions as set out in the paragraph headed "Conditions" in the Letter from the Board and shall continue for a period of three years up to 31 December 2014;
- (ii) the entrusted loans are repayable within six months from the date of drawing of the relevant entrusted loan(s). We note that, if the Peking Founder Group fails to repay the outstanding amount under the relevant entrusted loan agreements, the Peking Founder Group shall be liable to pay, on a daily basis, a default interest at the rate of 0.02% of the total outstanding loan amount, until all of the principal amount, the interests together with other applicable charges and/or fees are fully repaid, which we considered such terms to be in the interests of the Company and the Shareholders as a whole;

LETTER FROM CHINA EVERBRIGHT CAPITAL LIMITED

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

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

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

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

LETTER FROM CHINA EVERBRIGHT CAPITAL LIMITED

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

(C) The Proposed Annual Caps for the Provision of Entrusted Loans

The Provision of Entrusted Loans is subject to requirements and conditions of the Listing Rules as particularly discussed under the below section headed “Requirements of the Listing Rules on the Entrusted Loan Master Agreement and the Master Sales Agreement”.

In particular, the entrusted loans under the Entrusted Loan Master Agreement are subject to the proposed annual caps as discussed below.

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

	2009	2010	2011	2012	2013	2014
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(Million)</i>	<i>(Million)</i>	<i>(Million)</i>	<i>(Million)</i>	<i>(Million)</i>	<i>(Million)</i>
Annual caps	200.0	220.0	242.0	242.0	242.0	242.0
Historical actual figures	30.0	84.0	195.0	n/a	n/a	n/a
			(up to 30 September 2011)			

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

Under the Entrusted Loan Master Agreement, the proposed annual caps for the Provision of Entrusted Loans during each of the three years ending 31 December 2014 are RMB242 million. In assessing the reasonableness of the proposed annual caps, we have reviewed and discussed with the Management the bases and assumptions underlying the projections of the proposed annual caps. Based on our review and discussion, we understand from the Management that the proposed annual caps are determined with reference to the average entrusted loans provided by the Group during the nine months ended 30 September 2011 under the Existing Entrusted Loan Master Agreement.

LETTER FROM CHINA EVERBRIGHT CAPITAL LIMITED

According to the 2011 Interim Report, the Group had undue entrusted loan receivable from Peking Founder Group of approximately HK\$277.2 million, representing approximately RMB230.9 million, as at 30 June 2011. In addition, as stated in the Letter from the Board, the average entrusted loans provided by the Group during the nine months ended 30 September 2011 amounted to RMB195 million.

We noted that the proposed annual caps for each of three years ending 31 December 2014 remain unchanged at RMB242.0 million. After discussion with the Management, we understand that the Provision of Entrusted Loans is one of the Group's treasury policies to diversify its deposits portfolio and to enhance monetary return on the Group's idle surplus cash. However, in order to limit the Group's maximum exposure on the Provision of Entrusted Loans, the Management decides to set RMB242 million as the annual cap for each of the three years ending 31 December 2014.

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

(2) Master Sales Agreement

(A) Background of and reasons for the Master Sales Agreement

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

Since 2006, the Group has been supplying information hardware products to Peking Founder Group during its ordinary course of business and on normal commercial terms pursuant to the Existing Master Sales Agreement for a term of three years ending 31 December 2011. As the Management expects such transactions will continue after 31 December 2011. In compliance with the continuing connected transaction requirements under the Listing Rules, the Directors propose to seek Independent Shareholders' approval to renew the master sales agreement for a term of three years up to 31 December 2014.

LETTER FROM CHINA EVERBRIGHT CAPITAL LIMITED

Having taken into account of the above, and (i) the transactions contemplated under the Master Sales Agreement are in line with the existing business activities of the Group; (ii) the Group has established long-term business relationship with Peking Founder Group and the Group is allowed to maintain its business relationship with Peking Founder Group through the Master Sales Agreement; and (iii) the transactions contemplated under the the Master Sales Agreement shall be conducted on an arm's length basis and on terms that are fair and reasonable to the Company, we are of the view that it is justifiable for the Group to continue and maintain the present business relationship with Peking Founder Group through the Master Sales Agreement, and the Supply of Information Products is in the ordinary and usual course of business of the Group, and in the interest of the Group and the Independent Shareholders as a whole.

(B) Major terms of the Master Sales Agreement

Pursuant to the Master Sales Agreement, the Group, subject to the proposed annual caps thereof, should provide information hardware products to Peking Founder Group at market prices determined at the relevant time for a term of three years ending 31 December 2014. The Group and the Peking Founder Group will enter into separate implementation agreements to specify terms and conditions in respect of the sale of related products thereunder.

As stated in the Letter from the Board, the market prices of related products under the Master Sales Agreement are determined in accordance with the following pricing principles:

- (i) with reference to the prices and credit terms at which such products are supplied, on normal commercial terms in its ordinary and usual course of business, to independent third party customers in the local market and/or adjacent regions; or
- (ii) where no comparable as stated in (i) are available, with reference to the prices and credit terms at which such products are supplied, on normal commercial terms in its ordinary and usual course of business, to independent third party customers in the PRC; or
- (iii) where none of the above comparable is available, with reference to the prices and credit terms agreed between the parties on arm's length basis.

As the related products under the Master Sales Agreement are common information hardware products, such as servers, printers, switches, networking products, storage devices, workstations, mobile phones and optical screen products. Therefore, the Management confirms that all of such products have market prices determined at the relevant time: (i) with reference to the prices and credit terms at which such products are supplied, on normal commercial terms in its ordinary and usual course of business, to independent third party customers in the local market and/or adjacent regions; or (ii) with reference to the prices and credit terms at which such products are supplied, on normal commercial terms in its ordinary and usual course of business, to independent third party customers in the PRC.

LETTER FROM CHINA EVERBRIGHT CAPITAL LIMITED

Shareholders should note that there is no provision in the Master Sales Agreement requiring the Group to transact with the Peking Founder Group exclusively. In other words, the Group is not obligated to transact with the Peking Founder Group and would only do so if it is in the commercial interests of the Group, and it does not restrict the Group from transacting with any other customers. Therefore, we consider the Master Sales Agreement provides commercial flexibility to the Group to transact with other customers in the event that the Group might not be able to agree with any terms or pricing with the Peking Founder Group.

Taking into account of the above, we are of the view that appropriate and sufficient pricing mechanism has been in place to ensure that the transactions to be contemplated under the Master Sales Agreement will be conducted on normal commercial terms.

For the purpose of evaluating the fairness and reasonableness of the transactions under the Master Sales Agreement, we carried out review on the terms of sample sales agreements signed by the Group with other independent customers. Based on the result of our review, we found that the principal terms, including pricing basis and credit terms, were similar and comparable with those of the Master Sales Agreement.

Taking into account of the above, we are of the view that the terms of Master Sales Agreement will be conducted on normal and commercial terms.

(C) The Proposed Annual Caps for the Supply of Information Products

The transactions under the Master Sales Agreement are subject to requirements and conditions of the Listing Rules as particularly discussed under the below section headed “Requirements of the Listing Rules on the Entrusted Loan Master Agreement and the Master Sales Agreement”.

The proposed annual caps under the Master Sales Agreement for each of the three years ending 31 December 2014 are RMB712.7 million, respectively. As set out in the Letter from the Board, the Directors are of the opinion that the proposed annual caps set out above are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

In assessing the reasonableness of the proposed annual caps, we have reviewed and discussed with the Management the bases and assumptions underlying the projections of the proposed annual caps. Based on our review and discussion, we understand from the Management that the Company has taken the following factors into account in determining the proposed annual caps:

- the growth of historical transactions amounts under the Existing Master Sales Agreement;
- indication from Peking Founder on the proposed annual caps; and
- the Group’s internal estimates on the information technology business industry in the PRC.

LETTER FROM CHINA EVERBRIGHT CAPITAL LIMITED

The growth of historical transaction amounts under the Existing Master Sales Agreement

Set out below are (i) the annual caps under the Existing Master Sales Agreement; (ii) the proposed annual caps under the Master Sales Agreement; and (iii) the actual sales amounts for the two years ended 31 December 2010 and the latest available actual sales amounts for nine months ended 30 September 2011:

	2009	2010	2011	2012	2013	2014
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>('000)</i>	<i>('000)</i>	<i>('000)</i>	<i>('000)</i>	<i>('000)</i>	<i>('000)</i>
Annual Caps	52,600	509,073	712,702	712,702	712,702	712,702
Actual sales	40,462	119,730	186,393	n/a	n/a	n/a
			(up to 30 September 2011)			

As illustrated above, the actual sales by the Group to the Peking Founder Group increased by approximately RMB79.3 million or 196% from approximately RMB40.5 million in 2009 to approximately RMB119.7 million in 2010. During the first nine months ended 30 September 2011, the actual sales by the Group to the Peking Founder Group amounted to approximately RMB186.4 million, increased by approximately RMB66.7 million, or 55.7%, from total sales to the Peking Founder Group in 2010, and therefore, the Management expects that the total sales to the Peking Founder Group in 2011 will achieve substantial growth over 2010. The increase in sales to Peking Founder Group was mainly because of the disposal of Beijing Founder Order Computer Systems Co., Ltd. ("**Founder Order**") by Founder Holdings Limited ("**Founder Group**") to Peking Founder in 2010. Due to the said disposal of Founder Order which was completed on 4 November 2010, the sales to Founder Order since the completion had been classified as sales to Peking Founder Group. As advised by the Management, the Group's sales to Peking Founder Group since the completion of the said disposal have comprised sales to Founder Order and other subsidiaries of Peking Founder. The Management also confirmed that the actual sales amounts to Founder Order for the two years ended 31 December 2010 and the latest available actual sales amounts to Founder Order for nine months ended 30 September 2011 were RMB207.0 million, RMB223.3 million and RMB132.6 million, respectively.

In addition, as advised by the Management, in the fourth quarter of 2011, the Group plans to further develop its distribution network within the Peking Founder Group and enhance its business relationship with Peking Founder's subsidiaries, namely (i) Founder International Inc., which provides IT products and services to customers in industries including financial services, healthcare, education and government administrations; and (ii) Founder Electronics Co., Ltd., which provides IT products and services to customers in industries including newspapers, commercial publishing, printings, broadcastings, TVs, internet, libraries, and government administrations. Strong business relationship with these IT services providers ensure the Group to promote industrial applications and integrate its information products manufactured by Microsoft, H3C and HP with software products as

LETTER FROM CHINA EVERBRIGHT CAPITAL LIMITED

well as application services. More, Peking Founder Group also engages in securities trading and brokerage, healthcare and pharmaceutical business. The Management will continue to explore opportunity to promote its information hardware products in such industries operated by Peking Founder Group. As a result, the Management considers that there is sufficient room for growth of demand for the Group's information hardware products.

To meet strong future demand and maintain its growth and profitability, the Management put more resources on exploring new products and new products lines and more value-added services are provided to customer. As stated in the 2011 Interim Report, the Group's has been awarded by various upstream vendors for its excellent partnership in terms of distribution, coverage, growth and overall performance in the PRC. The Group's principal subsidiary, Beijing Founder Century Information Systems Co., Ltd. ("PRC Century"), obtained the special honours of Best distribution channel development award (最佳渠道拓展獎), Best contribution in distribution of HP workstations award (惠普工作站最佳分銷貢獻獎), and Mobile workstation area authorised distributors certificate (移動工作站區域授權分銷商證書) by HP in January 2011. In March 2011, PRC Century obtained the Best Growth Award (最佳成長獎) from CommScope. In May 2011, PRC Century obtained the seventh in 2011 "500 China Computer Vendor-Distributor 100" (2011中國電腦商500強—分銷商100強) organised by Computer Partner World (電腦商報) in May 2011. In addition, in January 2011, Siemens authorised PRC Century as the sole distributor of HiPath1100 in the PRC (HiPath1100 全國總包銷). In March 2011, Fujitsu authorised PRC Century as the sole distributor of Fujitsu PRIMERGY X 86 server. The cooperation with systems integration services providers enables the Group to provide to the customers a more comprehensive solution.

Indication from Peking Founder on the proposed annual caps

As advised by the Management, the Group discussed the proposed annual cap with the management of the Peking Founder Group, and estimated the sales volume of information hardware products under the Master Sales Agreement with reference to the expected demand from Peking Founder Group during the three years ending 31 December 2014.

Based on the written memo provided by 方正信息產業集團 (Founder Information Industry Group), we noted that Peking Founder Group will continue to develop its information technology and system business and set its budgeted revenue in 2012 to RMB2 billion. Therefore, based on internal purchase budget of Peking Founder Group, it plans to procure information hardware products of approximately RMB300 million from the Group during each of the three years ending 31 December 2014.

The Group's internal estimates on the information technology business industry in the PRC

According to National Bureau of Statistics, from 2001 to 2010, PRC's nominal GDP grew at a CAGR of 15.4% from RMB10,966 billion to RMB39,798 billion, making PRC as one of the fastest growing economies in the world. Given the global financial crisis in 2008, the PRC Government implemented economic stimulus measures in the amount of approximately RMB4 trillion, resulting in the PRC's economy maintaining real GDP growth rates of 9.6%, 9.2% and 10.3% for 2008, 2009 and 2010, respectively.

LETTER FROM CHINA EVERBRIGHT CAPITAL LIMITED

According to the market research report issued by International Data Corporation, an independent provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets, in May 2011, the computer storage market in the PRC is estimated to increase from approximately US\$1,361.3 million in 2011 to approximately US\$1,799.4 million in 2013, with CAGR of approximately 15%. Therefore, the Management considers that the PRC IT market will continue to grow sustainably over the next few years.

As the related products distributed by the Group under the Master Sales Agreement are sourced from internationally famed and branded information products manufacturers such as HP, H3C, Apple, CommScope, Barco, Brocade, Hitachi, Epson and Iomega. Taking into consideration that (i) product cycles of information products are relatively short; (ii) information products manufacturers need to launch new products continuously to maintain its market shares and competitiveness as information technology has been evolving constantly; and (iii) the schedules of information products manufacturers in launching new information products and market's responses to such new information products are beyond the control of the Group, it is not feasible for the Group to estimate the growth of its distribution business precisely during the three years ending 31 December 2014 under the Master Sales Agreement, and therefore, the Management believes that reserving certain buffer would be necessary to respond to any sudden increase in the demand for information products contemplated under the Master Sales Agreement.

Having considered the above, in particular, (i) the strong organic growth of historical transaction amounts under the Existing Master Sales Agreement; (ii) indication from Peking Founder Group on its information hardware products procurement plan over the next three years; and (iii) the necessary for reserving certain buffer on the annual caps due to the nature of information products industry, we are of the view that the basis adopted by the Management in determining the annual caps for the Supply of Information Products is fair and reasonable so far as the Independent Shareholders are concerned. However, Shareholders should note that the annual caps relate to future events and they do not represent a forecast of revenue to be generated from the Supply of Information Products.

(3) Requirements of the Listing Rules on the Entrusted Loan Master Agreement and the Master Sales Agreement

Pursuant to Rules 14A.37 to 14A.40 of the Listing Rules, the transactions contemplated under the Entrusted Loan Agreement and the Master Sales Agreement (collectively, "CCT Agreements") are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the transactions contemplated under the CCT Agreements and confirm in the annual report and accounts that the transactions contemplated under the CCT Agreements have been entered into:

LETTER FROM CHINA EVERBRIGHT CAPITAL LIMITED

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

In light of the reporting requirements attached to the transactions contemplated under the CCT Agreements, in particular, (i) the restriction of the value of the transactions contemplated under the CCT Agreements by way of the respectively proposed annual caps; and (ii) the ongoing review by the independent non-executive Directors and auditors of the Company on the terms of the transactions contemplated under the CCT Agreements and the respective proposed annual caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the transactions contemplated under the CCT Agreements and safeguard the interests of the Independent Shareholders.

LETTER FROM CHINA EVERBRIGHT CAPITAL LIMITED

OUR RECOMMENDATIONS

Having considered the above principal factors and reasons, we consider that (i) the terms of the Master Sales 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; (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 (iii) the proposed annual caps under the CCT Agreements 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 to vote in favour of the relevant ordinary resolutions to approve the CCT Agreements, including the respective proposed annual caps, as detailed in the notice of SGM set out at the end of the Circular.

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

1. INDEBTEDNESS

At the close of business on 30 September 2011, being the latest practicable date for the purpose of the indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$565.2 million which comprised unsecured bank loans of approximately HK\$560.8 million and unsecured trust receipt loans of approximately HK\$4.4 million. The above unsecured bank loans of approximately HK\$560.8 million were guaranteed by Peking Founder, a substantial shareholder of the Company. The above unsecured trust receipt loans of approximately HK\$4.4 million were guaranteed by the Company.

Save as disclosed above and apart from intra-group liabilities, the Group did not have, at the close of business on 30 September 2011, any debt securities issued and outstanding or agreed to be issued, bank borrowings or other similar indebtedness, mortgages and charges, guarantees or other material contingent liabilities.

2. WORKING CAPITAL

After due and careful consideration, the Directors are of the opinion that, taking into account the Group's internal resources, available banking facilities and in the absence of unforeseen circumstances, the Group will have sufficient working capital for its present requirements for the period of twelve months from the date of this circular.

3. MATERIAL ADVERSE CHANGE

The Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2010, being the date to which the latest published audited consolidated accounts of the Company were made up.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

In the coming financial year, the Group will continue to be engaged in the distribution of information products in Hong Kong and the PRC.

The management will continuously refine its product structure to avoid product overlapping and minimise market risk. The Group will focus on the distribution of information products with higher profit margin and exploring the more profitable value-added service business. Moreover, the management will also place stronger emphasis on operating cash flow, stringent control on working capital such as trade receivables and payables and inventory and cost management. The Group will continue to look for alliance with other international information products suppliers and investment opportunities.

5. FINANCIAL EFFECT OF THE ENTRUSTED LOAN MASTER AGREEMENT

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

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

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS BY DIRECTORS

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

(a) 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	–	200,019,000	18.08%

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

Directors' interests in share options of the Company

Name of Director	Number of share options held	Date of grant of share options	Exercise period of share options	Exercise price of share options <i>HK\$</i>
Mr Zhang Zhao Dong	8,000,000	6.2.2004	7.2.2004 to 5.2.2014	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 were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2010, being the date to which the latest published audited consolidated accounts of the Company were made up.

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

3. SUBSTANTIAL SHAREHOLDERS

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

Name	Notes	Capacity and nature of interest	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 Information	3	Directly beneficially owned	363,265,000	32.84%
Founder		Directly beneficially owned	363,265,000	32.84%
Shining Wisdom	4	Directly beneficially owned	200,019,000	18.08%
Peking University Education Foundation		Directly beneficially owned	93,240,000	8.43%

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Peking University Education Foundation		Beneficiary of a trust	2,330,000	0.21%
Ms Li Yong Hui	5	As trustee	60,671,600	5.49%
Ms Ying Yu Ling	5	As trustee	60,671,600	5.49%
F2 Consultant Limited	5	Owned as nominee	60,671,600	5.49%

* 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. Founder Information is interested in 363,265,000 Shares which it agreed to acquire under the conditional sale and purchase agreement entered into between Founder and Founder Information dated 29 August 2011.
4. Mr Zheng Fu Shuang is interested in these shares through Shining Wisdom.
5. 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.

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 member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation, other than statutory compensation).

5. MATERIAL CONTRACT

No contract (not being contract in the ordinary course of business of the Group) has been entered into by members of the Group which is or may be material within the two years immediately preceding the date of this circular.

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. EXPERT AND CONSENT

China Everbright is a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO.

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

As at the Latest Practicable Date, China Everbright did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2010, being the date to which the latest published audited consolidated accounts of the Company were made up.

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

8. 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.

9. GENERAL

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

The company secretary of the Company is Ms Tang Yuk Bo, Yvonne, ACS, ACIS.

The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal place of business in Hong Kong is situated at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong.

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

10. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong during normal business hours on any weekday (public holidays excluded) from the date of this circular up to and including 6 December 2011, the date of the SGM:

- (i) the bye-laws of the Company;
- (ii) the annual reports of the Company for the two years ended 31 December 2010;
- (iii) the Entrusted Loan Master Agreement;
- (iv) the Master Sales Agreement;
- (v) the letter from the Independent Board Committee dated 17 November 2011, the text of which is set out on pages 14 to 15 of this circular;
- (vi) the letter from China Everbright dated 17 November 2011, the text of which is set out on pages 16 to 32 of this circular;
- (vii) the letter of consent from China Everbright referred to in the paragraph headed “Expert and Consent” above; and
- (viii) the Company’s circular dated 20 September 2011 and this circular.

NOTICE OF SGM



NOTICE IS HEREBY GIVEN that a special general meeting of EC-Founder (Holdings) Company Limited (the “Company”) will be held at 11:00 a.m. on Tuesday, 6 December 2011 at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

1. **“THAT:**
 - (a) the Entrusted Loan Master Agreement (as defined in the Circular) be and are hereby approved;
 - (b) the proposed annual caps in relation to the transactions contemplated under the Entrusted Loan Master Agreement for the three years ending 31 December 2014 be and are hereby approved; and
 - (c) any one Director be and is hereby authorised to do all such acts or things, as he/she may in his/her absolute discretion consider necessary or desirable, to give effect to the Entrusted Loan Master Agreement and the transactions contemplated thereunder.”

2. **“THAT:**
 - (a) the Master Sales Agreement (as defined in the Circular) be and are hereby approved;
 - (b) the proposed annual caps in relation to the transactions contemplated under the Master Sales Agreement for the three years ending 31 December 2014 be and are hereby approved; and
 - (c) any one Director be and is hereby authorised to do all such acts or things, as he/she may in his/her absolute discretion consider necessary or desirable, to give effect to the Master Sales Agreement and the transactions contemplated thereunder.”

* For identification purpose only

NOTICE OF SGM

3. **“THAT** subject to and conditional upon the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of options which may be granted under the Refreshed Limit (as herein defined), the existing scheme mandate limit under the share option scheme adopted by the Company on 24 May 2002 (the “Share Option Scheme”) be refreshed so that the total number of Shares which may be allotted and issued upon the exercise of the options granted under the Share Option Scheme shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution (the “Refreshed Limit”) and that the Directors be and are hereby authorised to do such act and execute such document to effect the Refreshed Limited and to grant options up to the Refreshed Limit and to exercise all the powers of the Company to allot, issue and deal with Shares pursuant to the exercise of such options.”

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

Hong Kong, 17 November 2011

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, Peking University Founder Group Company Limited, and their respectively associates (as defined in the Listing Rules) are required to abstain from voting on the above ordinary resolutions 1 and 2.
5. The ordinary resolution as set out above will be determined by way of a poll.