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**DISPOSAL OF THE ENTIRE EQUITY IN EC-FOUNDER (PRC)
A CONNECTED TRANSACTION FOR FOUNDER
A MAJOR AND CONNECTED TRANSACTION FOR EC-FOUNDER**

On 20 October 2004, Founder Data, a wholly-owned subsidiary of EC-Founder, entered into the Disposal Agreement with the Purchasers and Peking Founder.

Pursuant to the Disposal Agreement, the Purchasers have conditionally agreed to purchase and Founder Data has conditionally agreed to sell the entire equity interest in EC-Founder (PRC) and it is agreed that the entire amount of the Current Accounts outstanding as at the date of Completion, which amounted to approximately RMB52.5 million (which is equivalent to approximately HK\$49.5 million) as at 30 June 2004, owed by EC-Founder (PRC) to the EC-Founder Remaining Group will be waived upon Completion. The total consideration for the Disposal is RMB13.4 million (which is equivalent to approximately HK\$12.6 million) which shall be satisfied by the Purchasers or Peking Founder (as directed by the Purchasers) upon Completion.

The Disposal constitutes a major transaction for EC-Founder under the Listing Rules. As at the date of this announcement, EC-Founder is an approximately 54.85% owned subsidiary of Founder. Peking Founder is the controlling shareholder of Founder and EC-Founder and thus a connected person of Founder and EC-Founder. The Purchasers are companies controlled by Peking Founder and thus are associates of Peking Founder. Accordingly, the Disposal constitutes a connected transaction for each of Founder and EC-Founder under Rule 14A.13 of the Listing Rules. For Founder, as the size of the Disposal falls under the de-minimis thresholds under Rule 14A.32(1) of the Listing Rules, the Disposal is subject to the reporting and announcement requirements set out in Rule 14A.45 to Rule 14A.47 of the Listing Rules but is exempt from obtaining approval from the independent shareholders of Founder. However, the Disposal is subject to the approval from the independent shareholders of EC-Founder by poll under Rules 14A.18 and 14A.52 of the Listing Rules.

Peking Founder and its associates (including Founder) will abstain from voting at the special general meeting of EC-Founder in respect of the resolution for approving the Disposal.

EC-Founder will despatch to its shareholders a circular containing further details of the Disposal Agreement, the recommendation from the independent board committee to its independent shareholders, the recommendation from the independent financial adviser to the independent board committee of EC-Founder and a notice convening a special general meeting.

Shareholders of Founder and EC-Founder should note that the completion of the Disposal Agreement is conditional on the satisfaction of a number of conditions precedent and is subject to the approval by the Beijing Commerce Bureau. There is no assurance that all the conditions precedent will be satisfied and the Beijing Commerce Bureau will approve the Disposal Agreement. The release of this announcement does not in any way imply that the Disposal will be completed. Shareholders of Founder and EC-Founder should exercise caution when dealing in the shares of Founder and EC-Founder respectively.

THE DISPOSAL AGREEMENT

Date

20 October 2004

Parties

Vendor: Founder Data

Purchasers: 方正軟件(蘇州)有限公司 (Founder Software (Suzhou) Company Limited*) and 上海方正信息安全技術有限公司 (Shanghai Founder Information Security Technology Company Limited*), companies established in the PRC and controlled by Peking Founder

Founder and EC-Founder understand that the Purchasers are engaged in software development and systems integration in the PRC and Peking Founder, through its subsidiaries (excluding the Founder Group and the EC-Founder Group), is principally engaged in software development, hardware manufacture, finance and traditional industry.

Assets to be sold

方正軟件(蘇州)有限公司 (Founder Software (Suzhou) Company Limited*) and上海方正信息安全技術有限公司 (Shanghai Founder Information Security Technology Company Limited*), together as Purchasers, have conditionally agreed to purchase 95% interest and 5% interest, respectively, in EC-Founder (PRC) from Founder Data and Founder Data has conditionally agreed to sell the entire equity interest in EC-Founder (PRC) to the Purchasers. As part of the Disposal, the entire amount of the Current Accounts outstanding at the date of Completion, which amounted to approximately RMB52.5 million (which is equivalent to approximately HK\$49.5 million) as at 30 June 2004, owing by EC-Founder (PRC) to the EC-Founder Remaining Group will be waived upon Completion.

EC-Founder (PRC) is principally engaged in the provision of software solutions and services in the PRC. The table below sets out the audited turnover, and the loss before and after tax of EC-Founder (PRC) for the years ended 31 December 2002 and 2003 prepared in accordance with the Hong Kong GAAP:

| | 2002 HK\$'000 | 2003 HK\$'000 |
|-----------------|------------------|------------------|
| Turnover | 57,352 | 34,200 |
| Loss before tax | 25,034 | 8,800 |
| Loss after tax | 25,034 | 8,800 |

EC-Founder (PRC) had an audited deficiency in net assets of approximately HK\$32.4 million as at 31 December 2003 and an unaudited deficiency in net assets of approximately HK\$37.4 million as at 30 June 2004 (including the Current Accounts which amounted to approximately HK\$49.5 million as at 30 June 2004) prepared in accordance with the Hong Kong GAAP. The assets of EC-Founder (PRC) as at 30 June 2004 mainly comprised office fixtures and equipment and other current assets.

Consideration of the Disposal

The total consideration of the Disposal is RMB13.4 million (which is equivalent to approximately HK\$12.6 million), which shall be payable by the Purchasers or Peking Founder (as directed by the Purchasers) to EC-Founder (or as it may direct) in Renminbi in full upon Completion.

The consideration was determined after arm's length negotiations between the parties, in particular, with reference to the unaudited deficiency in net assets of EC-Founder (PRC) of approximately RMB39.7 million (which is equivalent to approximately HK\$37.4 million) as at 30 June 2004 and the outstanding balance of the Current Accounts of approximately RMB52.5 million (which is equivalent to approximately HK\$49.5 million) as at 30 June 2004. Excluding the Current Accounts, the net asset value of EC-Founder (PRC) as at 30 June 2004 would be approximately RMB12.8 million (equivalent to approximately HK\$12.1 million).

Founder Data has undertaken under the Disposal Agreement that the outstanding amount of the Current Accounts as at the date of Completion will not be different from the balance outstanding as at 30 June 2004. Nevertheless, the outstanding balance of the Current Accounts may be increased with the consent of the Purchasers and the parties to the Disposal Agreement have agreed that if the outstanding amount of the Current Accounts at the date of Completion exceeds the balance outstanding at 30 June 2004, the total consideration payable by the Purchasers will be increased by the said excess amount.

The consideration represents a premium of approximately 4.4% over the aggregate amount of the unaudited net asset value (being the net assets after the waiver of outstanding amount of the Current Accounts as at 30 June 2004) of EC-Founder (PRC).

The Founder Directors (including the independent non-executive directors of Founder) and EC-Founder Directors consider that the terms of the Disposal Agreement are on normal commercial terms and are fair and reasonable after considering the funding requirement and the financial position and profitability of EC-Founder (PRC) and the adverse market situation in the PRC. The preliminary view of the independent non-executive directors of EC-Founder is subject to the advice of the independent financial adviser in respect of the Disposal.

Conditions

Completion of the Disposal is conditional on the approval from the independent shareholders of EC-Founder being obtained at the special general meeting by poll pursuant to the Listing Rules and is subject to the approval by the Beijing Commerce Bureau pursuant to the Certain Regulations on Changes to Shareholders' Rights in Foreign Investment Enterprises.

If the shareholders' approval is not obtained on or before the date falling three months after the date of the Disposal Agreement (or at such later date as may be agreed between the parties to the Disposal Agreement), the Disposal Agreement shall lapse and become null and void and the parties to the Disposal Agreement will be released from all obligations under the Disposal Agreement.

After the Disposal has been approved by the independent shareholders of EC-Founder, the Disposal Agreement shall become effective after it has been approved by the Beijing Commerce Bureau according to the Certain Regulations on Changes to Shareholders' Rights in Foreign Investment Enterprises.

Completion shall take place seven days after the Disposal Agreement has been approved by the Beijing Commerce Bureau.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The EC-Founder Group is principally engaged in (i) the distribution of information technology products, such as servers, workstations, data storage devices and networking products, in the PRC; and (ii) the provision of software solutions and services business in the PRC. Besides the businesses carried out by the EC-Founder Group, the Founder Group is principally engaged in software development and systems integration business in the PRC, with a primary focus on the media sector.

The software solutions and services business of the EC-Founder Group is primarily carried out by EC-Founder (PRC). EC-Founder (PRC) has been loss making since its establishment in 2000. As stated above, EC-Founder (PRC) recorded an audited net loss of approximately HK\$25.0 million and approximately HK\$8.8 million for the years ended 31 December 2002 and 2003 respectively despite the implementation of a number of cost control measures in the past few years.

As set out in the 2004 interim report of EC-Founder, the software solutions and services business of the EC-Founder Group, which mainly comprised the business of EC-Founder (PRC) with the remaining part being the provision of internet advertising agency services carried out by another wholly-owned subsidiary of EC-Founder, Beijing AdTargeting Inc., recorded a segmental loss of approximately HK\$3.6 million for the six months ended 30 June 2004. The loss of the software solutions and services business of the EC-Founder Group was mainly attributable to EC-Founder (PRC). As explained in the 2004 interim report of EC-Founder, tight measures have been adopted to control the operating costs of the software solutions and services business. However, the segmental loss of the software solutions and services business during the period still increased by approximately 74% as compared with that for the six months ended 30 June 2003 as a result of fierce market competition which led to a reduction in profit margin. In order to cut down the losses of the EC-Founder Group, the business of EC-Founder (PRC) has been scaling down.

The EC-Founder Remaining Group has been providing funding to EC-Founder (PRC) for its business operation in the past few years through the Current Accounts. As at 30 June 2004, the Current Accounts amounted to approximately RMB52.5 million (which is equivalent to approximately HK\$49.5 million). The EC-Founder Directors anticipate that further funding will have to be provided to EC-Founder (PRC) if EC-Founder continues to maintain its interest in EC-Founder (PRC). However, even with further funding, the future profitability of EC-Founder (PRC) is uncertain in view of the keen competition in the PRC software solutions and services market.

The Disposal would relieve EC-Founder from the future funding burden in respect of the business development and operation of EC-Founder (PRC) and would allow EC-Founder to focus its resources on the development of the Distribution Business carried out by the EC-Founder Remaining Group. The Distribution Business was acquired by the EC-Founder Group in July 2003. For the year ended 31 December 2003, the Distribution Business contributed to the EC-Founder Group a total turnover of approximately HK\$444.6 million and a segmental profit of approximately HK\$5.4 million. For the six months ended 30 June 2004, the Distribution Business contributed to the EC-Founder Group a total turnover of approximately HK\$503.7 million and a segmental profit of approximately HK\$2.9 million. The Founder Directors and the EC-Founder Directors believe that it would be in the best interests of their respective shareholders to focus the resources, including financial resources and management resources, of the EC-Founder Remaining Group on the Distribution Business with a more certain business prospect.

EC-Founder intends to use the net proceeds from the Disposal (estimated to be approximately HK\$11.6 million) as general working capital of the EC-Founder Remaining Group. The net proceeds from the Disposal will enhance the working capital position of the EC-Founder Remaining Group.

Based on the latest management accounts of the Founder Group, the EC-Founder Group and EC-Founder (PRC) as at 30 September 2004 and the terms of the Disposal and before taking into account the expenses incurred in relation to the transaction, it is estimated that a gain on disposal of approximately HK\$1.4 million will be recorded by EC-Founder. As at the date of this announcement, EC-Founder is an approximately 54.85% owned subsidiary of Founder. Accordingly, a gain on disposal of approximately HK\$0.8 million, which represents approximately 54.85% of such gain as recorded by EC-Founder, is estimated to be recorded by Founder. The actual amount of gain or loss on the Disposal depends on the actual net asset value (being net assets after the waiver of outstanding amount of the Current Accounts) of EC-Founder (PRC) as at the date of Completion.

In view of the above reasons and the expected benefits which may be brought about by the Disposal, the Founder Directors, including the independent non-executive directors, believe that the Disposal is in the best interests of Founder and its shareholders as a whole, and the EC-Founder Directors, excluding the independent non-executive directors of EC-Founder who will opine on the transaction after considering the advice of the independent financial adviser, believe that the Disposal is in the best interests of EC-Founder and its shareholders as a whole.

GENERAL

Ernst & Young Corporate Finance Limited has been appointed as the financial adviser to Founder and EC-Founder in respect of the Disposal. For the purposes of Chapter 14 of the Listing Rules, the Disposal does not constitute a notifiable transaction for Founder as all the relevant percentage ratios under Rule 14.07 are less than 5%. The Disposal constitutes a major transaction for EC-Founder under the Listing Rules. As at the date of this announcement, EC-Founder is an approximately 54.85% owned subsidiary of Founder. Peking Founder is the controlling shareholder of Founder and EC-Founder and thus a connected person of Founder and EC-Founder. The Purchasers are companies controlled by Peking Founder and thus associates of Peking Founder. Accordingly, the Disposal constitutes a connected transaction for each of Founder and EC-Founder under Rule 14A.13 of the Listing Rules. For Founder, as the size of the Disposal falls under the de-minimis threshold under Rule 14A.32(1) of the Listing Rules, the Disposal is subject to the reporting and announcement requirements set out in Rule 14A.45 to Rule 14A.47 of the Listing Rules but is exempt from obtaining approval from the independent shareholders of Founder. However, the Disposal is subject to the approval from the independent shareholders of EC-Founder by poll under Rules 14A.18 and 14A.52 of the Listing Rules.

A special general meeting will be convened by EC-Founder for the purpose of seeking the approval for the Disposal from the independent shareholders of EC-Founder by poll. Peking Founder and its associates (including Founder) will abstain from voting at the special general meeting of EC-Founder in respect of the resolution for approving the Disposal.

EC-Founder will despatch to its shareholders a circular containing further details of the Disposal Agreement, the recommendation from the independent board committee to its independent shareholders, the recommendation from the independent financial adviser to the independent board committee of EC-Founder and a notice convening a special general meeting.

Shareholders of Founder and EC-Founder should note that the completion of the Disposal Agreement is conditional on the satisfaction of a number of conditions precedent and is subject to the approval by the Beijing Commerce Bureau. There is no assurance that all the conditions precedent will be satisfied and the Beijing Commerce Bureau will approve the Disposal Agreement. The release of this announcement does not in any way imply that the Disposal will be completed. Shareholders of Founder and EC-Founder should exercise caution when dealing in the shares of Founder and EC-Founder respectively.

As at the date of this announcement, the board of directors of Founder comprises the executive directors of Mr Cheung Shuen Lung, Professor Xiao Jian Guo, Professor Wei Xin and Mr Zhang Zhao Dong, and the independent non-executive directors of Dr Hu Hung Lick, Henry, Mr Li Fat Chung and Mrs Wong Lam Kit Yee.

As at the date of this announcement, the board of directors of EC-Founder comprises the executive directors of Mr Zhang Zhao Dong, Mr Cheung Shuen Lung, Professor Wei Xin, Professor Zou Wei and Mr Yung Richard, Jr., a non-executive director of Mr Yung Chih Shin, Richard, and the independent non-executive directors of Mr Yang Lin, Richard, Mr Li Fat Chung and Mrs Wong Lam Kit Yee.

Definitions

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| “associate(s)” | has the meaning as ascribed to it in the Listing Rules |
| “Completion” | completion of the Disposal Agreement in accordance with its terms |
| “Current Accounts” | outstanding balances on current accounts owed by EC-Founder (PRC) to EC-Founder and certain of its subsidiaries |
| “Disposal” | the disposal of the entire equity interests in EC-Founder (PRC) by Founder Data and the waiver of the Current Accounts under the Disposal Agreement |
| “Disposal Agreement” | the conditional agreement made between Founder Data, the Purchasers and Peking Founder dated 20 October 2004 in connection with the Disposal |
| “Distribution Business” | the distribution of information products business in the PRC carried out by the EC-Founder Group |
| “EC-Founder” | EC-Founder (Holdings) Company Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange |

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|------------------------------|---|
| “EC-Founder Directors” | the directors of EC-Founder |
| “EC-Founder Group” | EC-Founder and its subsidiaries |
| “EC-Founder (PRC)” | 北京方正數碼有限公司(EC-Founder Co., Ltd.*), a company incorporated in the PRC and a wholly-owned subsidiary of Founder Data |
| “EC-Founder Remaining Group” | the EC-Founder Group excluding EC-Founder (PRC) |
| “Founder” | Founder Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange |
| “Founder Data” | Founder Data Corporation International Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of EC-Founder |
| “Founder Directors” | the directors of Founder |
| “Founder Group” | Founder and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong GAAP” | the Generally Accepted Accounting Principles in Hong Kong |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Peking Founder” | Peking University Founder Group Corporation, the controlling shareholder of Founder which holds approximately 32.67% of the issued share capital of Founder |
| “PRC” | the People’s Republic of China |
| “Purchasers” | 方正軟件(蘇州)有限公司(Founder Software (Suzhou) Company Limited*) and上海方正信息安全技術有限公司 (Shanghai Founder Information Security Technology Company Limited*), companies established in the PRC and controlled by Peking Founder |
| “RMB” | Renminbi, the lawful currency in the PRC |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |

By Order of the Board
Founder Holdings Limited
Cheung Shuen Lung
Chairman

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

Hong Kong, 20 October 2004

* *for identification purpose only*