
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 agents through whom the sale was effected for transmission to the purchaser or transferee.

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**CONTINUING CONNECTED TRANSACTIONS
AND
AMENDMENTS TO BYE-LAWS**

Financial adviser to EC-Founder (Holdings) Company Limited


Ernst & Young Corporate Finance Limited

**Independent financial adviser to the Independent Director,
the Independent Board Committee and the Independent Shareholders**

 **Hantec Capital Limited**

A letter from the board of directors of EC-Founder (Holdings) Company Limited is set out on pages 4 to 12 of this circular. The respective letters from the Independent Director (as defined herein) and the Independent Board Committee (as defined herein) containing their advice to the Independent Shareholders (as defined herein) are set out on pages 13 to 14 of this circular. A letter from Hantec Capital Limited containing its advice to the Independent Director, the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 27 of this circular.

A notice convening the special general meeting to be held at 9:45 a.m. on Wednesday, 4 January 2006 at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong is set out on pages 36 to 38 of this circular. Whether or not you are able to attend the 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. 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.

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DEFINITIONS

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

“associate(s)”	has the meaning as ascribed to it in the Listing Rules
“Board”	the board of Directors
“Bye-law(s)”	the bye-law(s) of the Company (as amended from time to time)
“CG Code”	the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules
“Company” or “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
“Directors”	the directors of EC-Founder
“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, which holds approximately 54.85% of the issued share capital of EC-Founder
“Founder Group”	Founder and its subsidiaries excluding the Group for the purpose of this circular, unless otherwise specified
“Founder Sales”	the transactions contemplated under the Master Agreement in relation to the sales of information hardware products to the Founder Group by the Group
“Group”	EC-Founder and its subsidiaries
“Hantec”	Hantec Capital Limited, a licensed corporation under the SFO to carry out Types 1 (dealing in securities) and 6 (advising an corporate finance) regulated activity, which has been appointed as the independent financial adviser to the Independent Director, the Independent Board Committee and the Independent Shareholders

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the committee of the Board comprising all the independent non-executive Directors, namely Mr Li Fat Chung, Ms Wong Lam Kit Yee and Ms Cao Qian, established to advise the Independent Shareholders in respect of the Peking Founder Master Agreement
“Independent Director”	Ms Cao Qian, an independent non-executive Director, designated to advise the Independent Shareholders in respect of the Master Agreement
“Independent Shareholders”	Shareholders other than Founder, Peking Founder and their respective associates
“Independent Third Parties”	parties who are independent of and not connected with the directors, chief executive or substantial shareholders of the Company and its subsidiaries or any of their respective associates
“Latest Practicable Date”	9 December 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Agreement”	the master agreement proposed to be entered into between EC-Founder and Founder in relation to the sales of information hardware products to the Founder Group by the Group
“Peking Founder”	北大方正集團有限公司(Peking University Founder Group Company Limited*), the controlling shareholder of Founder, which holds approximately 32.67% of the issued share capital of Founder
“Peking Founder Group”	Peking Founder and its subsidiaries

DEFINITIONS

“Peking Founder Master Agreement”	the master agreement proposed to be entered into between Peking Founder and EC-Founder in relation to the sales of information hardware products to the Peking Founder Group by the Group
“Peking Founder Sales”	the transactions contemplated under the Peking Founder Master Agreement in relation to the sales of information hardware products to the Peking Founder Group by the Group
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region and Taiwan for the purpose of this circular
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong (as amended from time to time))
“SGM”	the special general meeting of EC-Founder to be held to approve the transactions contemplated under the Master Agreement and the Peking Founder Master Agreement and the amendments to the Bye-laws
“Shareholders”	the shareholders of EC-Founder
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

For illustrative purposes only, RMB is converted into HK\$ at an exchange rate of HK\$1.00 = RMB1.04 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: 0618)

Executive Directors:

Mr Zhang Zhao Dong (*Chairman*)

Mr Cheung Shuen Lung

Professor Wei Xin

Mr Xia Yang Jun

Mr Xie Ke Hai

Non-executive Director:

Mr Yung Chih Shin, Richard (*Honorary Chairman*)

Independent non-executive Directors:

Mr Li Fat Chung

Ms Wong Lam Kit Yee

Ms Cao Qian

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

12 December 2005

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS AND AMENDMENTS TO BYE-LAWS

INTRODUCTION

The Group has been supplying information hardware products to the Founder Group on normal commercial terms. The existing waiver obtained under the old Listing Rules in respect of the sales of information hardware products to the Founder Group by the Group, as referred to the joint announcement of Founder and EC-Founder dated 19 March 2003, will expire on 31 December 2005. EC-Founder proposes to enter into the Master Agreement with Founder to govern the terms of the Founder Sales for a term of three years from 1 January 2006 to 31 December 2008.

* For identification purpose only

LETTER FROM THE BOARD

It is proposed that the Group will also sell information hardware products to the Peking Founder Group on normal commercial terms and that the Peking Founder Master Agreement be entered into between Peking Founder and EC-Founder to govern the terms of the Peking Founder Sales for a term of three years from 1 January 2006 to 31 December 2008.

EC-Founder is an approximately 54.85% owned subsidiary of Founder which in turn is owned as to approximately 32.67% by Peking Founder. Founder and Peking Founder are connected persons of EC-Founder for the purposes of the Listing Rules.

Accordingly, the transactions under the Master Agreement and the Peking Founder Master Agreement will constitute continuing connected transactions for EC-Founder pursuant to the Listing Rules. It is expected that the annual amount of the Founder Sales under the Master Agreement for each of the three years ending 31 December 2008 will be not less than HK\$10 million and the applicable ratios under the Listing Rules will be not less than 2.5% for EC-Founder. It is expected that the annual amount of the Peking Founder Sales under the Peking Founder Master Agreement for each of the two years ending 31 December 2008 will be not less than HK\$10 million and the consideration ratio under the Listing Rules will be not less than 2.5% for EC-Founder.

EC-Founder is required to comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the Master Agreement and the Peking Founder Master Agreement.

Ernst & Young Corporate Finance Limited has been appointed to advise the Company in respect of the continuing connected transactions. Two of the independent non-executive Directors, namely Mr Li Fat Chung and Ms Wong Lam Kit Yee, are also the independent non-executive Directors of Founder and will not advise the Independent Shareholders in respect of the terms of the Master Agreement and the estimated annual caps. The Independent Director, Ms Cao Qian, is designated to advise the Independent Shareholders regarding the fairness and reasonableness of the terms of the Master Agreement and the estimated annual caps. The Independent Board Committee comprising all the independent non-executive Directors, namely Mr Li Fat Chung, Ms Wong Lam Kit Yee and Ms Cao Qian, has been established to advise the Independent Shareholders regarding the fairness and reasonableness of the terms of the Peking Founder Master Agreement and the estimated annual caps. Hantec has been appointed as the independent financial adviser to advise the Independent Director, the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you with further information on the Master Agreement and the Peking Founder Master Agreement and the estimated annual caps and to seek your approval of the ordinary resolutions set out in the notice of the SGM on pages 36 to 38 of this circular. The recommendation of the Independent Director to the Independent Shareholders in respect of the Master Agreement and the estimated annual caps is set out on page 13 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Peking Founder

LETTER FROM THE BOARD

Master Agreement and the estimated annual caps is set out on page 14 of this circular. The letter from Hantec to the Independent Director, the Independent Board Committee and the Independent Shareholders containing its advice in relation to the Master Agreement and the Peking Founder Master Agreement and the estimated annual caps is set out on pages 15 to 27 of this circular.

The Board would also take this opportunity to seek your approval at the SGM to amend the Bye-laws for the purpose of compliance with the CG Code. Information on the proposed amendments of the Bye-laws is set out in this circular and the special resolution is set out in the notice of the SGM on pages 36 to 38 of this circular.

SALES OF INFORMATION HARDWARE PRODUCTS

The Master Agreement and the Peking Founder Master Agreement

EC-Founder proposes to enter into the Master Agreement with Founder to govern the terms of the Founder Sales for a term of three years from 1 January 2006 to 31 December 2008.

It is proposed that the Group will also sell information hardware products to the Peking Founder Group on normal commercial terms and that the Peking Founder Master Agreement be entered into between Peking Founder and EC-Founder to govern the terms of the Peking Founder Sales for a term of three years from 1 January 2006 to 31 December 2008.

Pursuant to the Master Agreement and the Peking Founder Master Agreement, the Group should provide information hardware products at terms 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 Parties 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 Parties 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 and that are fair and reasonable and in the interests of the shareholders of EC-Founder as a whole.

Historical values and annual caps

The following table sets out (i) the respective historical values of the Founder Sales and the Peking Founder Sales for each of the two years ended 31 December 2004 and the ten months ended 31 October 2005 and the respective estimates for the year ending 31 December 2005; (ii) the historical caps of the Founder Sales for each of the two years ended 31 December 2004 and the year ending 31 December 2005; and (iii) the respective estimated annual caps of the Founder Sales and the Peking Founder Sales for each of the three years ending 31 December 2008.

LETTER FROM THE BOARD

	Year ended 31 December 2003 RMB'million	Year ended 31 December 2004 RMB'million	10 months ended 31 October 2005 RMB'million	Year ending 31 December 2005 RMB'million	Year ending 31 December 2006 RMB'million	Year ending 31 December 2007 RMB'million	Year ending 31 December 2008 RMB'million
Founder Sales							
Actual	11.7	14.1	17.2	24.0	—	—	—
	<i>(Note 1)</i>						
Cap <i>(Note 2)</i>	27.04	29.12	N/A	31.20	45.0	49.5	54.5
	(HK\$26.0 million)	(HK\$28.0 million)		(HK\$30.0 million)			
Peking Founder Sales							
Actual <i>(Note 3)</i>	0.5	1.1	—	—	—	—	—
Cap	N/A	N/A	N/A	N/A	10.0	11.0	12.1

Note:

- (1) *The Founder Sales for 2003 represent those transactions occurring since July 2003 (after the relevant supplier was disposed of by the Founder Group to the Group) as only those transactions were treated as continuing connected transactions for EC-Founder for 2003. The Founder Sales from 1 January 2003 to 31 December 2003 (including intra-group transactions before July 2003) amounted to approximately RMB14.0 million.*
- (2) *The Founder Sales accounted for approximately 2.5% and 1.1% of the sales of the Group (excluding sales from its discontinued operations) for each of the years ended 31 December 2003 and 2004 respectively.*
- (3) *The relevant member of the Peking Founder Group to which such sales were made in the past is EC-Founder Co., Ltd. which used to be a wholly-owned subsidiary of EC-Founder. As such, no waiver or cap under the old Listing Rules was necessary for such intra-group transactions in the past. EC-Founder Co., Ltd. usually settled payments of the Group on or within 30 days after product delivery. As disclosed in the joint announcement of Founder and EC-Founder dated 20 October 2004, EC-Founder disposed of EC-Founder Co., Ltd. to the Peking Founder Group. Since completion of such disposal in December 2004, the Group has refrained from supplying products to EC-Founder Co., Ltd. as EC-Founder (and also Founder) will have to take steps to comply with the provisions governing continuing connected transactions in Chapter 14A of the Listing Rules when proceeding with such transactions. During 2005, EC-Founder Co., Ltd. purchased similar products from third party suppliers and the aggregate amount of such purchases for the 10 months ended 31 October 2005 was understood to be approximately RMB4.8 million.*

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The Founder Group has been purchasing information hardware products for use in its software development business and systems integration projects. The level of purchase orders placed by the Founder Group with the Group for the Founder Group's software development business (mainly electronic publishing software) has been on a steadily increasing trend over the past two years whilst that for the systems integration projects largely depends on the number and value of projects successfully tendered by the Founder Group. The estimated annual caps for the Founder Sales are determined with reference to (i) the historical values of the transactions as set out in the table above, (ii) Founder's indication of the value of the Founder Group's current and anticipated systems integration projects and (iii) EC-Founder's estimates of the annual growth rate of the information technology business in the PRC for each of the two years ending 31 December 2008 of 10% based on market information available to it.

The 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 estimated annual caps for the Peking Founder Sales are determined with reference to (i) the historical values of similar products purchased by the Peking Founder Group as set out in the table above, (ii) the expected purchases from the Group estimated by the management of EC-Founder based on the discussions with Peking Founder and the market experiences and knowledge of the management of EC-Founder and (iii) EC-Founder's estimates of the growth rate of the information technology business in the PRC for each of the two years ending 31 December 2008 of 10% based on market information available to it.

Reasons for and benefits of the Founder Sales and the Peking Founder Sales

The Group is principally engaged in the distribution of information hardware products in the PRC. The Founder Group (including the Group) is principally engaged in software development and systems integration relating to the media industry and certain other industries, and the distribution of information hardware products in the PRC. The Peking Founder Group is principally engaged in software development, hardware manufacture, medical, finance and traditional industry.

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

LETTER FROM THE BOARD

One of the businesses engaged by the Peking Founder Group is the provision of software solutions and services. The 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 the Peking Founder Group on normal commercial terms, thus broadening its customer base.

The terms of the Master Agreement and the Peking Founder Master Agreement were arrived at after arm's length negotiations between the parties involved. The Master Agreement and the Peking Founder Master 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 Agreement and the Peking Founder Master Agreement are on normal commercial terms, fair and reasonable and in the interests of EC-Founder and its shareholders as a whole and that the estimated annual caps for the Founder Sales and the Peking Founder Sales are fair and reasonable.

ANNUAL REVIEW OF THE CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions under the Master Agreement and the Peking Founder Master Agreement will be required to be subject to the following annual review requirements:

- (1) the independent non-executive Directors shall review annually the continuing connected transactions and confirm in the Company's corresponding annual report that the continuing connected transactions have been entered into:
 - (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 those available from Independent Third Parties; and
 - (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and
- (2) the auditors of the Company shall review annually the continuing connected transactions and confirm in a letter to the Board (a copy of which shall be provided to the Stock Exchange) that such continuing connected transactions:
 - (i) have received the approval of the Board;
 - (ii) are in accordance with the pricing policies of the Group;

LETTER FROM THE BOARD

- (iii) have been entered into in accordance with the relevant agreement governing the transactions; and
- (iv) have not exceeded the relevant caps.

The Company shall promptly notify the Stock Exchange and publish an announcement 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 (1) and/or (2) respectively.

The Company shall allow, and shall procure that the relevant counterparties to the continuing connected transactions shall allow the Company's auditors access to the relevant records for the purpose of the auditors' review of the continuing connected transactions referred to in paragraph (2) above.

AMENDMENTS TO THE BYE-LAWS

The Board would also take the opportunity at the SGM to seek the approval of the Shareholders to amend the current Bye-laws. The purpose of the amendments is to comply with the implementation of the CG Code which became effective on 1 January 2005. The proposed amendments are summarised below:

- (i) Bye-law 70 is amended to provide that the chairman of a general meeting must demand a poll in that general meeting whenever voting by way of a poll is required under Rule 13.39(4) of the Listing Rules or if holding 5% or more of the total voting rights at a particular meeting of the Company where, on a show of hands such meeting votes in the opposite manner to that instructed in these proxies (CG Code provision E.2.1).
- (ii) Bye-law 71 is amended to require the chairman of a general meeting to disclose the voting results on a poll following the meeting, and to ensure all proxy votes are properly counted and recorded (Rule 13.39(5) of the Listing Rules and CG Code provision E.2.2).
- (iii) Bye-law 99 is amended to clearly provide that (a) every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years in accordance with the CG Code; (b) the Directors holding office as chairman or managing director are without exception, also subject to retirement by rotation (CG Code provision A.4.2); and (c) a retiring Director shall continue to act as Director throughout the meeting at which he retires.

LETTER FROM THE BOARD

The Company was incorporated on 19 July 1991 as Management Investment & Technology (Holdings) Limited. On 16 December 1991 a Bermuda private act, the Management Investment & Technology (Holdings) Limited Company Act, 1991 was enacted (the “Private Act”) to exempt the Company from certain requirements of the Bermuda Companies Act 1981. The Private Act is binding on the Company and provides that the managing director of the Company is not subject to retirement by rotation. The proposed amendment to Bye-law 99 insofar as it requires the retirement by rotation of the Company’s managing director, will not be effective to the extent that it contradicts the provisions of any statute of Bermuda affecting the Company including the Private Act. As subsequent amendments to the Bermuda Companies Act 1981 have provided rights and exemptions similar to those contained in the Private Act, the Company is presently considering applying for the repeal of the Private Act. The Company does not currently have any managing director.

- (iv) Bye-law 102(B) is amended to provide that all Directors appointed to fill a casual vacancy shall be subject to election by the Shareholders at the first following general meeting, instead of the next following annual general meeting, after their appointment (CG Code provision A.4.2).

The proposed amendments to the Bye-laws are set out in the proposed special resolution no.3 in the notice convening the SGM as set out on pages 36 to 38 of this circular.

SGM

A notice convening the SGM to be held at 9:45 a.m. on Wednesday, 4 January 2006 at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong is set out on pages 36 to 38 of this circular. At the SGM, ordinary resolutions will be proposed for the Independent Shareholders to consider and if thought fit, to approve the Master Agreement and the Peking Founder Master Agreement and the estimated annual caps. A special resolution will be proposed for the Shareholders to approve the amendments to the Bye-laws.

The ordinary resolutions to be proposed at the SGM to approve the Master Agreement and the Peking Founder Master Agreement and the estimated annual caps will be determined by way of a poll by the Independent Shareholders. Founder and its associates were interested in approximately 54.85% of the issued share capital of EC-Founder as at the Latest Practicable Date. Founder, Peking Founder and their respective associates are required to abstain from voting at the SGM in respect of such resolutions. Mr Cheung Shuen Lung, Professor Xiao Jian Guo, Professor Wei Xin and Mr Zhang Zhao Dong are executive directors of Founder and executive directors of Peking Founder. They and their respective associates were interested in an aggregate of approximately 4.86% of the issued share capital of EC-Founder as at the Latest Practicable Date. They and their respective associates will voluntarily abstain from voting at the SGM in respect of the ordinary resolutions to approve the Master Agreement, the Peking Founder Master Agreement and the estimated annual caps in order to avoid any perceived conflict of interests.

LETTER FROM THE BOARD

A form of proxy for use in connection with the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, 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 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 later than 48 hours before the time of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish.

RECOMMENDATIONS

The Independent Director and the Independent Board Committee, having taken into account the advice of Hantec, are respectively of the view that the terms of the Master Agreement and the Peking Founder Master Agreement are on normal commercial terms, fair and reasonable and in the interests of EC-Founder and its shareholders as a whole and that the respective annual cap amounts are fair and reasonable so far as the Shareholders are concerned. Accordingly, the Independent Director and the Independent Board Committee respectively recommend the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the SGM.

The Board recommends the Shareholders to vote in favour of the special resolution to be proposed at the SGM in respect of the proposed amendments to the Bye-laws for the purpose of compliance with the CG Code.

GENERAL

Your attention is drawn to the letter from the Independent Director, the letter from the Independent Board Committee, the letter from Hantec, and the additional information set out in the appendix to this circular and the notice of the SGM.

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

LETTER FROM THE INDEPENDENT DIRECTOR



EC-FOUNDER (HOLDINGS) COMPANY LIMITED

方正數碼(控股)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 0618)

12 December 2005

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

I refer to the circular dated 12 December 2005 issued to the Shareholders (the “Circular”), of which this letter forms part. Unless the context otherwise requires, terms used in this letter have the same meanings as defined in the Circular.

I have been appointed to advise you regarding the fairness and reasonableness of the terms of the Master Agreement and the estimated annual caps. Hantec has been appointed as the independent financial adviser to advise me and the Independent Shareholders in this regard.

Having taken into account the advice of Hantec, I consider that the terms of the Master Agreement are on normal commercial terms, fair and reasonable and in the interests of EC-Founder and the Shareholders as a whole and that the annual cap amounts are fair and reasonable so far as the Shareholders are concerned. I therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the transactions contemplated under the Master Agreement and the annual cap amounts.

I also draw the attention of the Independent Shareholders to (i) the letter from the Board, (ii) the letter from Hantec, and (iii) the appendix to the Circular.

Yours faithfully,

Cao Qian

Independent Director

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



EC-FOUNDER (HOLDINGS) COMPANY LIMITED

方正數碼(控股)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 0618)

12 December 2005

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 12 December 2005 issued to the Shareholders (the “Circular”), of which this letter forms part. Unless the context otherwise requires, terms used in this letter have the same meanings as defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise you regarding the fairness and reasonableness of the terms of the Peking Founder Master Agreement and the estimated annual caps. Hantec has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this regard.

Having taken into account the advice of Hantec, we consider that the terms of the Peking Founder Master Agreement are on normal commercial terms, fair and reasonable and in the interests of EC-Founder and the Shareholders as a whole and that the annual cap amounts are fair and reasonable so far as the Shareholders are concerned. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the transactions contemplated under the Peking Founder Master Agreement and the annual cap amounts.

We also draw the attention of the Independent Shareholders to (i) the letter from the Board, (ii) the letter from Hantec, and (iii) the appendix to the Circular.

Yours faithfully,

Li Fat Chung Wong Lam Kit Yee Cao Qian
Independent Board Committee

* For identification purpose only

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Hantec in connection with the terms of the Master Agreement and the Peking Founder Master Agreement and the estimated annual caps which has been prepared for the purpose of inclusion in this circular:



Hantec Capital Limited

45th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

12 December 2005

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement to advise the Independent Director and the Independent Shareholders, and the Independent Board Committee and the Independent Shareholders, respectively, in relation to the terms of the Master Agreement and the Peking Founder Master Agreement and the respective annual caps, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in this circular (the “**Circular**”) dated 12 December 2005 of the Company, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as ascribed to them in this Circular, unless the context otherwise requires.

The Group proposed to enter into (i) the Master Agreement with Founder, and (ii) the Peking Founder Master Agreement with Peking Founder. Under the Master Agreement, the Group will sell information hardware products to the Founder Group for a term of three years from 1 January 2006 to 31 December 2008. Under the Peking Founder Master Agreement, the Group will sell information hardware products to the Peking Founder Group for a term of three years from 1 January 2006 to 31 December 2008.

The Company is an approximately 54.85% owned subsidiary of Founder which in turn is owned as to approximately 32.67% by Peking Founder. Founder and Peking Founder are therefore connected persons of the Company for the purposes of the Listing Rules. As such, the transactions under the Master Agreement and the Peking Founder Master Agreement will constitute continuing connected transactions of the Company under Rule 14A.14 of the Listing Rules. It is expected that the annual

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amount of the Founder Sales under the Master Agreement for each of the three years ending 31 December 2008 will be not less than HK\$10 million and the applicable ratios under the Listing Rules will be not less than 2.5% for the Company. It is expected that the annual amount of the Peking Founder Sales under the Peking Founder Master Agreement for each of the two years ending 31 December 2008 will be not less than HK\$10 million and the consideration ratio under the Listing Rules will be not less than 2.5% for the Company. As such, transactions under the Master Agreement and the Peking Founder Master Agreement are subject to, among other things, approval of the Independent Shareholders at the SGM. Founder, Peking Founder and their respective associates are required to abstain from voting at the SGM in respect of the relevant resolutions to approve the Master Agreement, the Peking Founder Master Agreement and the estimated annual caps. Mr Cheung Shuen Lung, Professor Xiao Jian Guo, Professor Wei Xin and Mr Zhang Zhao Dong are executive directors of Founder and executive directors of Peking Founder. They and their respective associates were interested in an aggregate of approximately 4.86% of the issued share capital of the Company as at the Latest Practicable Date. They and their respective associates will voluntarily abstain from voting at the SGM in respect of the ordinary resolutions to approve the Master Agreement, the Peking Founder Master Agreement and the estimated annual caps in order to avoid any perceived conflict of interests.

Two of the independent non-executive Directors, namely Mr Li Fat Chung and Ms Wong Lam Kit Yee, will not advise the Independent Shareholders in respect of the terms of the Master Agreement and the estimated annual caps, as they are also the independent non-executive directors of Founder. The Independent Director, Ms Cao Qian, is designated to advise the Independent Shareholders regarding the fairness and reasonableness of the terms of the Master Agreement and the estimated annual caps. The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr Li Fat Chung, Ms Wong Lam Kit Yee and Ms Cao Qian, has been established to advise the Independent Shareholders regarding the fairness and reasonableness of the terms of the Peking Founder Master Agreement and the estimated annual caps. We have been appointed as the independent financial adviser to advise the Independent Director, the Independent Board Committee and the Independent Shareholders as to whether the terms of the Master Agreement, the Peking Founder Master Agreement, and the estimated annual caps are fair and reasonable, whether they are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders how to vote in this regard.

BASIS OF OUR ADVICE

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular as provided by the Directors were true at the time they were made and continue to be true as at the date of the Circular, and there has been no material change thereof. We have also relied on our discussion with the Directors and the management of the Company regarding the information and representations contained in the Circular. We have also assumed that all statements

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of belief, opinion and intention made by the Directors and the management of the Company in the Circular were reasonably made after due enquiry and careful consideration. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company.

The Directors collectively and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Company and the Group, Founder and the Founder Group, Peking Founder and the Peking Founder Group, and their respective associates, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS TAKEN INTO ACCOUNT

I. Reasons for entering into the Master Agreement and the Peking Founder Master Agreement

Information about the Group

The Company is an investment holding company, and the Group is principally engaged in the distribution of information hardware products in the PRC.

According to the annual report of the Company for the year ended 31 December 2004 (“**EC-Founder 2004 Annual Report**”), the Group during the year was engaged in three business segments, namely distribution of information hardware products (“**Continuing Business**”), provision of software solutions and services, and electronic products (“**Discontinued Businesses**”).

As stated in the EC-Founder 2004 Annual Report, the Group commenced the Continuing Business since July 2003 when the Group completed the acquisition of the entire interests in Beijing Founder Century Information System Co., Ltd. and Founder Century (Hong Kong) Limited from the Founder Group. Following that, the Group’s results were significantly improved. The Group had audited turnover of approximately HK\$1,258 million for the year ended 31 December 2004 compared to approximately HK\$625 million (restated) for year 2003, of which approximately HK\$1,201 million was generated from the Continuing Business for

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year 2004 and approximately HK\$445 million (restated) for year 2003, or almost 2.7 times. The Continuing Business recorded a segmental profit of approximately HK\$7.4 million for the year ended 31 December 2004, up from approximately HK\$5.4 million of year 2003. The management of the Company attributed the improvement in the performance of the Continuing Business to the continued expansion of distribution network in the PRC. The Continuing Business has gained the ranking of the Group up to the 6th place in 2004, from 7th place in 2003, among the top 100 enterprises in the distribution business in the PRC. As confirmed by the management of the Company, the ranking as stated in the EC-Founder 2004 Annual Report is based on the ranking announced by 中國計算機報 (China Information World).

The Group disposed of the Discontinued Businesses during the year ended 31 December 2004. The software solutions and services business, one of the Discontinued Businesses, was mainly carried out by EC-Founder Co., Ltd., the entire equity interest of which was disposed of by the Group in December 2004 to the Peking Founder Group, upon which EC-Founder Co., Ltd. ceased to be a subsidiary of the Company.

Information about the Founder Group

The Company is an approximately 54.85% owned subsidiary of Founder. Founder is an investment holding company, and the Founder Group (including the Group) is principally engaged in software development and systems integration relating to the media industry and certain other industries, and distribution of information hardware products in the PRC.

According to the annual report of Founder for the year ended 31 December 2004 (“**Founder 2004 Annual Report**”), the Founder Group (including the Group) recorded turnover of approximately HK\$1,554 million and HK\$2,014 million for the year ended 31 December 2003 and 2004 respectively, and recorded net profit from ordinary activities attributable to shareholders of approximately HK\$7 million and net loss from ordinary activities attributable to shareholders of approximately HK\$27 million for the year ended 31 December 2003 and 2004 respectively. Among the turnover of the Founder Group, approximately HK\$748 million and HK\$814 million was generated from software development and systems integration (for media business and for non-media business) for the year ended 31 December 2003 and 2004 respectively, representing approximately 48% and approximately 40% of the respective turnover. Turnover of the distribution business of information products was approximately HK\$757 million and HK\$1,187 million for the year ended 31 December 2003 and 2004 respectively, or approximately 49% and approximately 59% of the respective turnover.

As stated in the Letter from the Board, the Founder Group has been purchasing information hardware products for its customers in order to establish computer systems, and provide software and hardware solutions to its clients. The Founder Group has also been purchasing information hardware products for use in its software development business. The Group has been supplying

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information hardware products to the Founder Group. The Stock Exchange granted a waiver in respect of the sales of information hardware products by the Group to the Founder Group, as referred to the joint announcement of the Company and Founder dated 19 March 2003, which will expire on 31 December 2005. The Company proposed to enter into the Master Agreement to govern the terms of the Founder Sales for a term of three years from 1 January 2006 to 31 December 2008.

Information about the Peking Founder Group

The Peking Founder Group is principally engaged in software development, hardware manufacture, medical, finance and traditional industry. As stated in the Letter from the Board, one of the businesses of the Peking Founder Group is the provision of software solutions and services, and the Peking Founder Group has been purchasing information hardware products for its customers in order to establish computer systems and provide software solutions to its customers.

The Peking Founder Group in December 2004 acquired the entire equity interest in EC-Founder Co., Ltd. from the Group, upon which EC-Founder Co., Ltd. became a subsidiary of the Peking Founder Group and ceased to be a subsidiary of the Group. Before the transfer of interest in December 2004, EC-Founder Co., Ltd. had been engaged in the provision of software solutions and services, and the Group had been supplying information hardware products to EC-Founder Co., Ltd. After the transfer of interest, the Group has refrained from supplying products to EC-Founder Co., Ltd. because the Company (and also Founder) will have to take steps to comply with the provisions governing continuing connected transactions of the Listing Rules. As such, EC-Founder Co., Ltd. sourced information hardware products from other suppliers afterwards. During each of the two years ended 31 December 2004 and the ten months ended 31 October 2005, EC-Founder Co., Ltd. purchased information hardware products of approximately RMB7.7 million, RMB7.7 million and RMB7.4 million respectively, among which approximately RMB0.5 million, RMB1.1 million and nil were purchased from the Group. The Company proposed to enter into the Peking Founder Master Agreement for a term of three years ending 31 December 2008, whereby the Group will sell information hardware products to the Peking Founder Group (including EC-Founder Co., Ltd.).

Reasons for entering into the Master Agreement and the Peking Founder Master Agreement

The Directors consider that it is beneficial to the Group to continue to supply information hardware products to the Founder Group on normal commercial terms. The Directors also consider that it is beneficial to the Group to supply information hardware products to the Peking Founder Group on normal commercial terms, thus broadening its customer base. The Directors consider that the transactions under the Master Agreement and the Peking Founder Master Agreement are on normal commercial terms, fair and reasonable and in the interests of the

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Company and the Shareholders as a whole, and that the estimated annual caps for the Founder Sales and the Peking Founder Sales are fair and reasonable.

As stated in the Letter from the Board and the EC-Founder 2004 Annual Report, distribution of information hardware products is the principal business of the Group which mainly focuses on information technology products such as servers, workstations, data storage devices and networking products of various international brand names such as HP, IBM, Huawei 3COM, SUN, Netgear and Apple.

Given (i) distribution of information hardware products is the principal business of the Group, (ii) the Founder Sales and the Peking Founder Sales are sales of information technology products including desktop computer, laptop computer, server, router, and networking products, which are within the scope of products as set out in the EC-Founder 2004 Annual Report, and (iii) both the Founder Group and the Peking Founder Group (including EC-Founder Co., Ltd.) have purchased information hardware products from the Group for the past years, we consider the entering into the Master Agreement and the Peking Founder Master Agreement is in line with the Group's business, will broaden the customer base of the Group, and is in the interests of the Company and the Shareholders as a whole.

II. Major terms of the Master Agreement and the Peking Founder Master Agreement

Price and payment credits

Each of the Master Agreement and the Peking Founder Master Agreement provides that the Group should provide information hardware products to the Founder Group and the Peking Founder Group, respectively, at terms determined with reference to the prices and credit terms at which such products are supplied by the Group on normal commercial terms in its ordinary and usual course of business to the Independent Third Parties (the “**Independent Sales**”) in the local market and/or adjacent regions, or in the PRC, or 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 and that are fair and reasonable and in the interests of the Shareholders as a whole.

We consider that it is in the interests of the Company and the Shareholders as a whole if the Founder Sales and the Peking Founder Sales take reference to the Independent Sales on their prices and payment credits, and where none is available, the Founder Sales and the Peking Founder Sales will be agreed between the parties on arm's length. In order to find the business pattern between the Group and the Founder Group, between the Group and EC-Founder Co., Ltd., we have compared them against the Independent Sales for the two years ended 31 December 2004 and the ten months ended 31 October 2005. We noted that the unit sale price payable by the Founder Group to the Group for the two years ended 31 December 2004 and the ten months

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ended 31 October 2005 was materially the same with the Independent Sales. The unit sale price payable by EC-Founder Co., Ltd. to the Group for the two years ended 31 December 2004 was materially the same with the Independent Sales. We also understood from the Directors that the Founder Group usually settled payments within 45 days, and EC-Founder Co., Ltd. usually settled payments on or within 30 days after product delivery, whereas the Independent Third Parties generally settled payments within 45 days. We consider that the Company's historical sales to the Founder Group and to EC-Founder Co., Ltd. were no less favourable to the Company than those available from the Independent Third Parties. In view of the historical business pattern between the Company, the Founder Group, EC-Founder Co., Ltd. and the Independent Third Parties, we consider the terms of the Master Agreement and the Peking Founder Master Agreement are on normal commercial terms, fair and reasonable so far as the Company and the Shareholders are considered as a whole.

Annual caps for the Founder Sales under the Master Agreement

The estimated annual cap for the Founder Sales for each of the three years ending 31 December 2008 is RMB45.0 million, RMB49.5 million and RMB54.5 million respectively. As stated in the Letter from the Board, the estimated annual caps for the Founder Sales are determined with reference to (i) the historical values of the transactions, (ii) Founder's indication of the value of the Founder Group's current and anticipated systems integration projects, and (iii) the Company's estimates of the annual growth rate of the information technology business in the PRC for each of the two years ending 31 December 2008 of 10% based on market information available to it.

(i) Historical values of the transactions

The following table sets out (i) the historical values of the Founder Sales for each of the two years ended 31 December 2004 and the ten months ended 31 October 2005 and (ii) the estimated values of the Founder Sales for the year ending 31 December 2005.

	For the year ended 31 December 2003	For the year ended 31 December 2004	For the ten months ended 31 October 2005	For the year ending 31 December 2005
Actual sales (RMB million)	11.7 [#]	14.1	17.2	
Estimated sales (RMB million)				24.0

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Note:

Amounts represent transactions occurring since July 2003 (after the relevant supplier was acquired by the Group from the Founder Group) as only such transactions were treated as continuing connected transactions of the Company for 2003.

The Founder Group has been purchasing information hardware products for use in its software development business and systems integration projects. The level of purchase orders placed by the Founder Group with the Group for the Founder Group's software development business has been on a steadily increasing trend over the past two years, whilst orders for the systems integration projects largely depends on the number and value of projects successfully tendered by the Founder Group.

(ii) *Founder's indication of the value of the Founder Group's current and anticipated systems integration projects*

To the best understanding of the Directors, Founder expects that its needs for information hardware products will increase for the year ending 31 December 2006, following the increase in Founder's software development and systems integration business. We have been provided with a breakdown of the estimated Founder Sales, a list of systems integration projects for the year ending 31 December 2006 (the "**Current Bidding Projects**") that the Founder Group intends to tender bidding, or has tendered bidding and is awaiting the bidding result, or projects that the Founder Group has been granted and not yet signed contracts, as well as a list of systems integration projects for the two years ended 31 December 2004 (the "**Previous Bidding Projects**") that the Founder Group has tendered bidding and been granted the contract as a result of the bidding. Based on the success rate of the Previous Bidding Projects, the Founder Group estimates the Founder Sales for the year ending 31 December 2006 to be approximately RMB45 million. In view of the breakdown of the Founder Sales, the track record of the Founder Group in bidding the Previous Bidding Projects, the Current Bidding Projects, and taking into consideration the overall PRC IT industry (as set out in the paragraph below), we consider the estimated Founder Sales for the year ending 31 December 2006 to be justifiable, and is in the interests of the Company and the Shareholders as a whole.

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- (iii) *The estimated annual growth rate of 10% for each of the two years ending 31 December 2008*

The Directors applied an annual growth rate of 10% to the Founder Sales for each of the two years ending 31 December 2008. To consider the fairness and reasonableness of such 10% annual growth rate, we have compared it with the information available from the public domains (including 中國電子行業投資信息網(www.ceiinet.gov.cn)) during the period from January 2005 to the Latest Practicable Date in relation to the overall information technology industry (“**IT industry**”) of the PRC. Since software development and systems integration are among the principal businesses of the Founder Group, and since the Founder Sales relate to information hardware products, our review of the PRC IT industry focused on the sectors of software products, IT services, and hardware products.

According to the information from the public domains, the PRC has become an important manufacture centre of global IT products, and is gradually becoming a research and development centre of the global IT industry. Among the PRC IT industry, software products and IT services were the spotlights in 2004, with sales of software products reaching approximately RMB48 billion representing an annual growth of approximately 19.9%, and IT services reaching approximately RMB68 billion representing an annual growth of approximately 26.0% compared with a year earlier. For the five-year period from 2005 to 2009, the markets of PRC software products and IT services are expected to continue to grow, at an annual compound growth rate of approximately 19.8% and 23.0% respectively. In addition, the information hardware products (including desktop personal computers, notebooks, printers, personal computer servers, network, and storage as mentioned in article we obtained from the public domain) will enjoy a compound growth rate of approximately 12.8% for the coming five years. In view of the prevailing market conditions in the PRC software products, IT services and hardware products, we consider it is fair and reasonable to apply an annual growth factor of 10% to the Founder Sales for each of the two years ending 31 December 2008.

In view of the above, we consider the annual caps proposed by the Directors for the Founder Sales are justifiable by taking reference to (i) the historical values of the transactions, (ii) Founder’s indication of the value of the Founder Group’s current and anticipated systems integration projects, and (iii) the Company’s estimates of the annual growth rate of the information technology business in the PRC for each of the two years ending 31 December 2008 of 10% based on information available to it.

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Annual caps for the Peking Founder Sales under the Peking Founder Master Agreement

The estimated annual cap for the Peking Founder Sales for each of the three years ending 31 December 2008 is RMB10.0 million, RMB11.0 million and RMB12.1 million respectively. As stated in the Letter from the Board, the estimated annual caps for the Peking Founder Sales are determined with reference to (i) historical values of similar products purchased by the Peking Founder Group, (ii) the expected purchases from the Group estimated by the management of the Company based on the discussions with Peking Founder and the market experiences and knowledge of the management of the Company, and (iii) the Company's estimates of the annual growth rate of the information technology business in the PRC for each of the two years ending 31 December 2008 of 10% based on market information available to it.

(i) *Historical values of similar products purchased by the Peking Founder Group*

Set out below is a summary of actual annual purchases by the Peking Founder Group (including EC-Founder Co., Ltd.) of information hardware products that were supplied by the Group or similar to those supplied by the Group for the two years ended 31 December 2004 and the ten months ended 31 October 2005, as well as the estimated purchases for the two months ending 31 December 2005:

	For the year ended 31 December 2003	For the year ended 31 December 2004	For the ten months ended 31 October 2005	For the two months ending 31 December 2005
Purchases by the Peking Founder Group (excluding EC-Founder Co., Ltd.) from the Group [#] (RMB million)	Nil	Nil	Nil	Nil
Purchases by EC-Founder Co., Ltd. from the Group (RMB million)	0.5	1.1	Nil	Nil
Purchases by EC-Founder Co., Ltd. from suppliers other than the Group ^{##} (RMB million)	Nil	Nil	4.8	0.3
Total purchases by the Peking Founder Group (including EC-Founder Co., Ltd.) from the Group and other suppliers ^{##} (RMB million)	0.5	1.1	5.1 ^{###}	

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Notes:

- # For the sake of illustration only, the Peking Founder Group here does not include EC-Founder Co., Ltd., irrespective of before and after the transfer of interest in EC-Founder Co., Ltd. in December 2004.*
- ## The purchases included the products purchased from suppliers other than the Group that are similar to those may be sourced from the Group.*
- ### The purchases include the actual purchases of approximately RMB4.8 million for the ten months ended 31 October 2005 and the estimated purchases of approximately RMB0.3 million for the two months ending 31 December 2005. .*

In December 2004, the Group disposed of the entire equity interest in EC-Founder Co., Ltd. to the Peking Founder Group. Before the disposal, EC-Founder Co., Ltd. was a wholly-owned subsidiary of the Company, and purchases by EC-Founder Co., Ltd. from the Group did not constitute connected transactions of the Company under the Listing Rules. After the disposal, EC-Founder Co., Ltd. became a subsidiary of Peking Founder, and purchases by EC-Founder Co., Ltd. from the Group would have become connected transactions of the Company (and also Founder) under the Listing Rules and required compliance thereunder. The Group since the disposal has refrained from supplying products to EC-Founder Co., Ltd., as the Company (and also Founder) will have to take steps to comply with the provisions governing continuing connected transactions in Chapter 14A of the Listing Rules when proceeding with such transactions. As such, EC-Founder Co., Ltd. purchased products from Independent Third Parties of approximately RMB4.8 million for the ten months ended 31 October 2005. As confirmed by the Directors, such purchases from Independent Third Parties would have been sourced from the Group if there were no such compliance concerns on continuing connected transactions under the Listing Rules.

(ii) The expected purchases from the Group

To the best understanding of the Directors, the Peking Founder Group has secured certain software solutions and services projects and is expecting additional sales from its customers for the year ending 31 December 2006. Based on the prior experiences of Peking Founder, the secured projects and expected sales will require approximately RMB10 million of information hardware products that are similar to the products that may be sourced from the Group.

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We have been provided with a list of such projects having secured by the Peking Founder Group for the year ending 31 December 2006, and copies of agreements for some of these secured projects. We have also been provided with information in relation to EC-Founder Co., Ltd.'s (the sole purchaser for the Peking Founder Sales) turnover for the first ten months of 2005 and estimated turnover for the entire year ending 31 December 2005, as well as its purchases of information hardware products that are similar to those supplied by the Group during the respective period. After reviewing documents and information provided to us, in particular the ratios of EC-Founder Co., Ltd.'s purchases of information hardware products that are similar to those supplied by the Group over EC-Founder Co., Ltd.'s turnover during the respective period, we consider that the annual cap of RMB 10 million for the Peking Founder Sales for the year ending 31 December 2006 is justifiable.

- (iii) *The estimated annual growth rate of 10% for each of the two years ending 31 December 2008*

The Directors applied an annual growth rate of 10% to the Peking Founder Sales for each of the two years ending 31 December 2008. To consider the fairness and reasonableness of such 10% annual growth rate, we have compared it with the information available from the public domains (including 中國電子行業投資信息網 (www.ceinet.gov.cn)) during the period from January 2005 to the Latest Practicable Date in relation to the overall information technology industry (“**IT industry**”) of the PRC. Since software development is one of the principal businesses of the Peking Founder Group, and since the Peking Founder Sales relate to information hardware products, our review of the PRC IT industry focused on the sectors of software products, IT services, and hardware products.

According to the information from the public domains, the PRC has become an important manufacture centre of global IT products, and is gradually becoming a research and development centre of the global IT industry. Among the PRC IT industry, software products and IT services were the spotlights in 2004, with sales of software products reaching approximately RMB48 billion representing an annual growth of approximately 19.9%, and IT services reaching approximately RMB68 billion representing an annual growth of approximately 26.0% compared with a year earlier. For the five-year period from 2005 to 2009, the markets of PRC software products and IT services are expected to continue to grow, at an annual compound growth rate of approximately 19.8% and 23.0% respectively. In addition, the information hardware products (including desktop

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personal computers, notebooks, printers, personal computer servers, network, and storage as mentioned in article we obtained from the public domain) will enjoy a compound growth rate of approximately 12.8% for the coming five years. In view of the prevailing market conditions in the PRC software products, IT services and hardware products, we consider it is fair and reasonable to apply an annual growth factor of 10% to the Peking Founder Sales for each of the two years ending 31 December 2008.

In view of the above, we consider the annual caps proposed by the Directors for the Peking Founder Sales are justifiable by taking reference to (i) historical values of similar products purchased by the Peking Founder Group, (ii) the expected purchases from the Group estimated by the management of the Company based on the discussions with Peking Founder and the market experiences and knowledge of the management of the Company, and (iii) the estimated annual growth rate of the information technology business in the PRC for each of the two years ending 31 December 2008 of 10%.

RECOMMENDATIONS

Having considered the principal factors and reasons set out above, we consider that the transactions under the Master Agreement and the Peking Founder Master Agreement are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the annual cap amounts for the Master Agreement and the Peking Founder Master Agreement are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that the Independent Shareholders, as well as the Independent Director and the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Master Agreement, the Peking Founder Master Agreement and the relevant annual caps.

Yours faithfully,
For and on behalf of
Hantec Capital Limited
Kinson Li
Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, the Directors and the chief executive of the Company had the following interests or short positions in the shares, debentures or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions 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, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to the Company and the Stock Exchange:

(a) Long positions in ordinary shares of the Company

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 Yung Chih Shin, Richard (Note)	—	87,680,000	7.97%
Mr Cheung Shuen Lung	36,890,100	—	3.35%
Mr Zhang Zhao Dong	3,956,000	—	0.36%
Professor Wei Xin	3,956,000	—	0.36%

Note: Mr Yung Chih Shin, Richard is interested in these shares through Ricwinco Investment Limited ("Ricwinco"), a company which is beneficially owned by Mr Yung Chih Shin, Richard.

In addition to the above, Mr Cheung Shuen Lung had non-beneficial personal equity interests in certain subsidiaries of the Company held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

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

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

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

The following Directors held share options that were outstanding under the 2001 Scheme and the 2002 Scheme as at the Latest Practicable Date:

Name of Director	Number of share options held	Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$
<i>2001 Scheme</i>				
Mr Cheung Shuen Lung	2,000,000	18.5.2001	18.5.2001 to 17.5.2011	0.45
Professor Wei Xin	2,000,000	18.5.2001	18.5.2001 to 17.5.2011	0.45

Name of Director	Number of share options held	Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$
<i>2002 Scheme</i>				
Mr Zhang Zhao Dong	8,000,000	6.2.2004	7.2.2004 to 5.2.2014	0.381
Mr Cheung Shuen Lung	8,000,000	6.2.2004	7.2.2004 to 5.2.2014	0.381
Professor Wei Xin	8,000,000	6.2.2004	7.2.2004 to 5.2.2014	0.381

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interest or short position in the securities of the Company or any of 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 (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein.

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 2004, being the date to which the latest published audited consolidated accounts of the Company were made up.

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

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

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors and the chief executive of the Company, the following corporations (not being a Director or the chief executive of the Company) had an interest or short position in the shares and 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 were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Long positions

Name of shareholder	Notes	Capacity	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	1	Through a controlled corporation	603,609,000	54.85%
Peking Founder	2	Through a controlled corporation	603,609,000	54.85%
Founder		Beneficial owner	603,609,000	54.85%
Peking University Education Foundation		Beneficiary of a trust	2,330,000	0.21%
Peking University Education Foundation		Beneficial owner	93,240,000	8.47%
Ricwinco	3	Beneficial owner	87,680,000	7.97%
F2 Consultant Limited	4	Owned as nominee	60,671,600	5.51%
HSBC International Trustee Limited	5	Through a controlled corporation	60,500,000	5.50%
Sun Hung Kai Properties Limited	5	Through a controlled corporation	60,500,000	5.50%
Sunco Resources Limited	5	Through a controlled corporation	60,500,000	5.50%
SUNeVision Holdings Ltd.	5	Through a controlled corporation	60,500,000	5.50%
Hugh Profit Investments Ltd.	5	Through a controlled corporation	60,500,000	5.50%
Well Drive Holdings Limited		Beneficial owner	60,500,000	5.50%

Notes:

1. 北京北大資產經營有限公司 was deemed to be interested in the 603,609,000 Shares under the SFO by virtue of its interest in Peking Founder.
2. Peking Founder was deemed to be interested in 603,609,000 Shares under the SFO by virtue of its interest in Founder.
3. Mr Yung Chih Shin, Richard was interested in these Shares through Ricwinco.
4. F2 Consultant Limited held the Shares as nominee on behalf of the directors of Founder Data Corporation International Limited who are acting in their capacity as the trustees of a discretionary trust for the employees of Founder Data Corporation International Limited and its subsidiaries.
5. Each of HSBC International Trustee Limited, Sun Hung Kai Properties Limited, Sunco Resources Limited, SUNeVision Holdings Ltd. and Hugh Profit Investments Ltd. was deemed to be interested in 60,500,000 Shares under the SFO by virtue of its, direct or indirect, interest in Well Drive Holdings Limited.
6. The following Directors are directors/employees of the corporation which had an interest 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:

Mr Zhang Zhao Dong is the Vice-Chairman and President of Peking Founder. Mr Cheung Shuen Lung is an executive director of Peking Founder. Professor Wei Xin is the Chairman of Peking Founder. Mr Xia Yang Jun is a Vice-President of Peking Founder. Mr Xia Ke Hai is a Vice-President of Peking Founder.

Save as disclosed herein, the Directors and the chief executive of the Company were not aware of any person (other than a Director or the chief executive of the Company or his/her associates or a member of the Group) who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under 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 had any options in respect of such capital as at the Latest Practicable Date.

4. DIRECTORS' SERVICE CONTRACTS

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

5. EXPERT

Hantec is a licensed corporation to carry out Types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activity for the purposes of the SFO.

As at the Latest Practicable Date, Hantec was not 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, Hantec did not have 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 2004, being the date to which the latest published audited consolidated accounts of the Company were made up.

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

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2004, being the date to which the latest published audited consolidated accounts of the Company were made up.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors was pending or threatened against the Company or any of its subsidiaries.

8. PROCEDURES TO DEMAND A POLL

The following is the procedure for demanding a poll by Shareholders in general meeting of the Company:

The existing Bye-law 70 of the Bye-Laws sets out the procedure by which Shareholders may demand a poll:

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is demanded (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) by:

- (i) the chairman of the meeting; or
- (ii) at least three Shareholders present in person or by a duly authorised corporate representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) any Shareholder or Shareholders present in person or by a duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (iv) any Shareholder or Shareholders present in person or by a duly authorised corporate representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Unless a poll be so demanded and the demand is not withdrawn, a declaration by the chairman of the meeting that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.

9. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection at the office of the Company in Hong Kong at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong during normal business hours on any weekday (public holidays excluded) from the date of this circular up to and including 4 January 2006:

- (a) the Master Agreement;
- (b) the Peking Founder Master Agreement;

- (c) the letter from the Independent Director, the text of which is set out on page 13 of this circular;
- (d) the letter from the Independent Board Committee, the text of which is set out on page 14 of this circular;
- (e) the letter from Hantec, the text of which is set out on pages 15 to 27 of this circular;
- (f) the letter of consent from Hantec as referred to in the section headed “Expert” above;
and
- (g) the Bye-laws.

NOTICE OF SGM



EC-FOUNDER (HOLDINGS) COMPANY LIMITED

方正數碼(控股)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 0618)

NOTICE IS HEREBY GIVEN that a special general meeting of EC-Founder (Holdings) Company Limited (the “Company”) will be held at 9:45 a.m. on Wednesday, 4 January 2006 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** the Master Agreement (as defined in the circular of the Company dated 12 December 2005 (the “Circular”) of which the notice of this meeting forms part, a copy of which was marked “A” and has been produced to the meeting and signed by the chairman of the meeting for the purposes of identification) proposed to be entered into between the Company and Founder Holdings Limited be and is hereby approved; and the proposed annual caps in relation to the transactions contemplated under the Master Agreement for each of the three financial years ending 31 December 2006, 2007 and 2008 as set out in the Circular be and are hereby approved; and any one director of the Company be and is hereby authorised on behalf of the Company to execute all such documents, in such final form or with such amendments as that director may deem appropriate, and 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 Agreement and the transactions contemplated therein.”
2. **“THAT** the Peking Founder Master Agreement (as defined in the Circular of which the notice of this meeting forms part, a copy of which was marked “B” and has been produced to the meeting and signed by the chairman of the meeting for the purposes of identification) proposed to be entered into between the Company and Peking University Founder Group Company Limited be and is hereby approved; and the proposed annual caps in relation to the transactions contemplated under the Peking Founder Master Agreement for each of the three financial years ending 31 December 2006, 2007 and 2008 as set out in the Circular be and are hereby approved; and any one director of the Company be and is hereby authorised on behalf of the Company to execute all such documents, in such final form or with such amendments as that director may deem appropriate, and 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 Peking Founder Master Agreement and the transactions contemplated therein.”

* For identification purpose only

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SPECIAL RESOLUTION

3. “**THAT** the Bye-laws of the Company be amended in the following manner:

(A) Bye-law 70

(a) by inserting in the first paragraph after the words “decided on a show of hands, unless”, the following words:

“voting by way of a poll is required by the rules of the Designated Stock Exchange or”;

(b) by deleting the full-stop at the end of Bye-law 70(iv) and replacing therewith a semi-colon and the word “or” immediately thereafter and by inserting the following as new Bye-law 70(v):

“70.(v) by any Director or Directors (including the chairman of a general meeting of the Company) who, individually or collectively, hold proxies in respect of shares representing 5 per cent. or more of the total voting rights at such meeting and if on a show of hands such meeting votes in the opposite manner to that instructed in those proxies.”

(B) By deleting the existing Bye-law 71 in its entirety and substituting therefor the following:

“71. If a poll is duly demanded, the result of a poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The chairman of the meeting shall count and record all proxy votes properly, and announce the result of the poll, in accordance with the requirements of the Designated Stock Exchange.”

(C) Bye-law 99

(a) by deleting Bye-law 99(A) in its entirety and substituting therefor the following:

“99. (A) Subject to the provisions of any Statute and notwithstanding any other provisions in the Bye-laws, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement at least once every three years. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day shall (unless they otherwise agree between themselves) be determined by lot.”

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- (b) by inserting the words “and shall retain office until the close of the meeting at which he retires” after the words “re-election” at the end of the first sentence of Bye-law 99. (B).
- (D) By adding “the next following general meeting of the Company (in the case of filling a casual vacancy) or until” after the words “Any Director so appointed shall hold office only until” and adding “(in the case of an addition to their member)” after “the next following annual general meeting of the Company” in the existing Bye-law 102 (B).”

By order of the Board
EC-Founder (Holdings) Company Limited
Tang Yuk Bo, Yvonne
Company Secretary

Hong Kong, 12 December 2005

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 him/her. A shareholder who is holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy needs 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 respective associates (as defined in the Listing Rules) are required to abstain from voting on all of the above ordinary resolutions.*
- Mr Cheung Shuen Lung, Professor Xiao Jian Guo, Professor Wei Xin and Mr Zhang Zhao Dong and their respective associates will voluntarily abstain from voting in respect of the above ordinary resolutions.*
- (5) *The ordinary resolutions as set out above will be determined by way of a poll.*