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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your 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 Founder Holdings Limited, you should at once hand this circular to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**FOUNDER HOLDINGS LIMITED**  
**方正控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**ACQUISITION OF HK CENTURY AND PRC CENTURY  
BY EC-FOUNDER (HOLDINGS) COMPANY LIMITED FROM  
FOUNDER HOLDINGS LIMITED  
DISCLOSEABLE TRANSACTION**

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30th April, 2003

\* For identification purpose only

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## DEFINITIONS

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

“Acquisition”	the acquisition of the entire issued share capital of HK Century and the entire equity interest of PRC Century from Founder Hong Kong by EC-Founder pursuant to the Agreement
“Additional Share(s)”	such new EC-Founder Share(s) as may fall to be issued, if requested by Founder Hong Kong, by EC-Founder to Founder Hong Kong or as it may direct to satisfy all or part of the Final Payment at an issue price of HK\$0.2185 per EC-Founder Share (subject to adjustment in event of any alteration in the capital structure of EC-Founder, such as rights issue, capitalization of profits or reserves, reduction of share capital, share consolidation and share sub-division, prior to the date of issue of such Additional Shares)
“Agreement”	the conditional agreement entered into between Founder Hong Kong and EC-Founder dated 19th March, 2003 regarding the Acquisition
“Announcement”	the joint announcement of Founder and EC-Founder dated 19th March, 2003 regarding, among other things, the Acquisition and the Whitewash Waiver
“associate(s)”	has the meaning as ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business”	the distribution of information products of the Founder Group in Hong Kong and the PRC
“Completion”	completion of the sale and purchase of the entire issued share capital of HK Century and the entire equity interest of PRC Century pursuant to the Agreement
“Completion Accounts”	the unaudited balance sheets of HK Century and PRC Century as at the date of Completion and the unaudited profit and loss accounts of HK Century and PRC Century for the period from 1st January, 2003 to the date of Completion
“Consideration”	the consideration payable by EC-Founder to Founder Hong Kong or as it may direct for the Acquisition

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## DEFINITIONS

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“Consideration Share(s)”	EC-Founder Share(s) to be allotted and issued by EC-Founder to Founder Hong Kong or its nominee at an issue price of HK\$0.2185 per EC-Founder Share where a total of 280,000,000 Consideration Shares will be issued under the Agreement to satisfy part of the Consideration i.e. HK\$61,180,000
“Director(s)”	the director(s) of Founder
“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
“EC-Founder Group”	EC-Founder and its subsidiaries
“EC-Founder Share(s)”	ordinary shares of HK\$0.10 each in the capital of EC-Founder
“Executive”	the Executive Director of the Corporate Finance Division of the SFC and any delegate of the Executive Director
“F2 Consultant”	F2 Consultant Limited, a company incorporated in the British Virgin Islands holding 63,459,100 EC-Founder Shares, representing approximately 7.73% of the issued share capital of EC-Founder as nominee on behalf of the directors of FDC (which currently include Mr. Cheung Shuen Lung, Mr. Zhang Zhao Dong and Professor Wei Xin who are directors of Founder and EC-Founder, and Professor Zou Wei who is a director of EC-Founder), acting in their capacity as the trustees of a discretionary trust for the employees of Founder Data Corporation International Limited and its subsidiaries
“FDC”	Founder Data Corporation International Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of EC-Founder
“Final Payment”	HK\$5,160,000
“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 Group”	Founder and its subsidiaries
“Founder Hong Kong”	Founder (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Founder

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## DEFINITIONS

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“HK Century”	Founder Century (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Founder Hong Kong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	28th April, 2003, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Other Founder Concert Parties”	Mr. Cheung Shuen Lung (a director of Founder and EC-Founder), Mr. Zhang Zhao Dong (a director of Founder and EC-Founder), Professor Wei Xin (a director of Founder and EC-Founder), Professor Xiao Jian Guo (a director of Founder) and Mr. Jiang Bi Jin (a director of a wholly-owned subsidiary of Founder) who held 36,890,100 EC-Founder Shares, 3,956,000 EC-Founder Shares, 3,956,000 EC-Founder Shares, 8,703,300 EC-Founder Shares, and 6,593,400 EC-Founder Shares respectively, which in turn represented approximately 4.50%, approximately 0.48%, approximately 0.48%, approximately 1.06% and approximately 0.80% of the issued share capital of EC-Founder as at the Latest Practicable Date
“PRC”	the People’s Republic of China excluding Hong Kong for the purpose of this circular
“PRC Century”	Beijing Founder Century Information System Co., Ltd., a wholly foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of Founder Hong Kong
“Reviewed NAV”	the aggregate unaudited net asset value of HK Century and PRC Century at the date of Completion as reviewed by the auditors of HK Century and PRC Century
“SFC”	the Securities and Futures Commission
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong (as amended from time to time))
“Shareholder(s)”	the shareholder(s) of Founder

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## DEFINITIONS

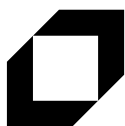
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“Shortfall”	the amount by which the Consideration in the sum of HK\$71,500,000 exceeds the Reviewed NAV
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Whitewash Waiver”	a waiver to be applied for by Founder pursuant to Note 1 of the Notes on dispensation from Rule 26 of the Takeovers Code from the general offer obligation which would otherwise arise as a result of the Acquisition under Rule 26 of the Takeovers Code

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## LETTER FROM THE BOARD

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# FOUNDER HOLDINGS LIMITED 方正控股有限公司\*

*(Incorporated in Bermuda with limited liability)*

*Executive Directors:*

Mr. Cheung Shuen Lung (*Chairman*)  
Professor Xiao Jian Guo (*Deputy Chairman*)  
Professor Wei Xin  
Mr. Zhang Zhao Dong

*Registered Office:*

Cedar House  
41 Cedar Avenue  
Hamilton HM12  
Bermuda

*Independent non-executive Directors:*

Dr. Hu Hung Lick, Henry  
Mr. Li Fat Chung

30th April, 2003

*To the Shareholders*

Dear Sir or Madam,

**ACQUISITION OF HK CENTURY AND PRC CENTURY  
BY EC-FOUNDER (HOLDINGS) COMPANY LIMITED FROM  
FOUNDER HOLDINGS LIMITED  
DISCLOSEABLE TRANSACTION**

### **BACKGROUND**

As set out in the Announcement, Founder Hong Kong and EC-Founder entered into the Agreement on 19th March, 2003. Pursuant to the Agreement, Founder Hong Kong has conditionally agreed to sell, and EC-Founder has conditionally agreed to purchase, the entire issued share capital of HK Century and the entire equity interest of PRC Century for the Consideration in the sum of HK\$71,500,000, subject to adjustment. The Acquisition constitutes a discloseable transaction for Founder under the Listing Rules.

The Consideration in the sum of HK\$71,500,000 (subject to adjustment as described below) shall be satisfied as to (i) HK\$5,160,000, upon Completion payable in cash by EC-Founder to Founder Hong Kong or as it may direct; (ii) HK\$61,180,000, upon Completion by the issue and allotment by EC-Founder of the Consideration Shares to Founder Hong Kong or its nominee; and (iii) the Final Payment (subject to adjustment), to be satisfied in cash or Additional Shares, or by a mixture of both at the option of Founder Hong Kong upon the date falling 6 months after the date of Completion.

\* *For identification purpose only*

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## LETTER FROM THE BOARD

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Upon Completion, the percentage of voting rights held by the Founder Group in EC-Founder will increase from approximately 39.45% to (i) approximately 54.85% (based on the shareholding structure of EC-Founder as at the Latest Practicable Date and assuming no Additional Shares are issued); and (ii) approximately 55.80% (based on the shareholding structure of EC-Founder as at the Latest Practicable Date and assuming 23,615,560 Additional Shares are issued). Founder has applied to the Executive for the Whitewash Waiver in respect of the obligation which would otherwise arise under Rule 26.1 of the Takeovers Code for Founder to make a mandatory general offer for all the issued EC-Founder Shares not already owned by Founder or parties acting in concert with Founder.

The purpose of this circular is to provide you with information regarding the Acquisition as required under the Listing Rules.

### THE ACQUISITION

#### Date of the Agreement

The Agreement was entered into by Founder Hong Kong and EC-Founder on 19th March, 2003.

#### Parties

Vendor:	Founder Hong Kong
Purchaser:	EC-Founder
Issuer of the Consideration Shares and the Additional Shares:	EC-Founder

Founder Hong Kong is a wholly-owned subsidiary of Founder, which is the controlling shareholder of EC-Founder holding approximately 39.45% of the issued share capital of EC-Founder.

#### Assets to be acquired by EC-Founder

Founder Hong Kong has conditionally agreed to sell, and EC-Founder has conditionally agreed to purchase, the entire issued share capital of HK Century and the entire equity interest of PRC Century pursuant to the terms and conditions of the Agreement.

#### Consideration

The Consideration for the Acquisition is in the sum of HK\$71,500,000 (subject to adjustment as described below) which shall be satisfied in the following manner:

- (i) as to HK\$5,160,000, to be paid in cash upon Completion by EC-Founder to Founder Hong Kong or as it may direct;
- (ii) as to HK\$61,180,000, to be satisfied upon Completion by the issue and allotment by EC-Founder of the Consideration Shares to Founder Hong Kong or its nominee; and

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## LETTER FROM THE BOARD

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- (iii) as to the Final Payment (subject to adjustment), to be satisfied on a date falling 6 months after Completion at the option of Founder Hong Kong in any of the following ways: (a) EC-Founder to pay Founder Hong Kong or as it may direct in cash; (b) EC-Founder to allot and issue to Founder Hong Kong or its nominee Additional Shares; or (c) a mixture of both.

Based on the issue price of HK\$0.2185 per Additional Share and the Consideration in the sum of HK\$71,500,000, 23,615,560 Additional Shares may be issued to Founder Hong Kong if Founder Hong Kong so requests. Up to the Latest Practicable Date, Founder Hong Kong had not yet decided how the Final Payment, whether by cash or Additional Shares, is to be satisfied and in what portion.

EC-Founder is not required to pay any initial deposit for the Acquisition under the Agreement.

The auditors of HK Century and PRC Century, Ernst & Young, will conduct a review of the Completion Accounts for the purpose of determining if any adjustment needs to be made to the Completion Accounts within 4 months after Completion. If the Reviewed NAV is less than the Consideration of HK\$71,500,000, the Consideration will be adjusted downward on a dollar for dollar basis to the amount of the Reviewed NAV and any Shortfall will be off-set against the Final Payment. If the Shortfall exceeds the Final Payment, EC-Founder will then be fully discharged of the liability to make the Final Payment and Founder Hong Kong will have to pay the difference between the Shortfall and the Final Payment to EC-Founder in cash on the date falling 6 months after the date of Completion. Any such adjustment will not affect the number of Consideration Shares to be issued to Founder Hong Kong under the Agreement.

The Consideration was determined after arm's length negotiations between Founder Hong Kong and EC-Founder, in particular with reference to the assets and liabilities of HK Century and PRC Century (based on the management accounts of HK Century and PRC Century as at 31st December, 2002), the prospects and the established business relationships with the suppliers and distribution network of the Business. Based on the audited accounts of HK Century and PRC Century, the aggregate net asset value of HK Century and PRC Century was approximately HK\$70,967,000 as at 31st December, 2002. The Directors believe that the Acquisition is in the interests of Founder and the terms of the Acquisition are fair and reasonable so far as the interests of the Shareholders as a whole are concerned.

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## LETTER FROM THE BOARD

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### Conditions

Completion is conditional upon the following conditions being satisfied within 90 days of the date of the Agreement, i.e. 17th June, 2003 or such other date as the parties to the Agreement may otherwise agree:

- (i) EC-Founder having conducted a due diligence on each of HK Century and PRC Century and being satisfied the results thereof;
- (ii) the obtaining of all necessary approvals from the relevant authorities in the PRC in respect of the sale and purchase of the entire equity interest in PRC Century pursuant to the Agreement;
- (iii) the Executive granting the Whitewash Waiver;
- (iv) the passing of a resolution by the independent shareholders of EC-Founder who are not involved in, or interested in, the Agreement by an independent vote cast on poll in a general meeting of EC-Founder for approving the Acquisition and the Whitewash Waiver in accordance with the requirements under the Listing Rules and Note 1 of the Notes on dispensation from Rule 26 of the Takeovers Code or as may be required by the Executive; and
- (v) the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares and the Additional Shares.

Under the Agreement, there is no provision allowing Founder Hong Kong or EC-Founder to waive any of the above conditions.

If the conditions are not fulfilled on or before the expiry of the 90-day period referred to above, or at such later date as may be agreed between Founder Hong Kong and EC-Founder, the Agreement shall save with respect to liabilities for any antecedent breaches thereof lapse and become null and void and the parties to the Agreement will be released from all obligations under the Agreement. None of the above conditions had been satisfied as at the Latest Practicable Date.

### CONSIDERATION SHARES AND ADDITIONAL SHARES

The Consideration Shares and the Additional Shares shall rank *pari passu* in all respects with the EC-Founder Shares in issue at the relevant date of issue, including rights as to dividends and voting.

The issue price per Consideration Share and Additional Share of HK\$0.2185 was determined after arm's length negotiations between Founder Hong Kong and EC-Founder with reference to the market price and trading liquidity of EC-Founder Shares. Such pricing represents (i) a premium of approximately 9.3% over the closing price of HK\$0.20 per EC-Founder Share as quoted on the Stock Exchange on the date when the Agreement was entered into; (ii) a discount of approximately 2.5% to the average closing price as quoted on the Stock Exchange for the 10 trading days up to and including the date of the Agreement, being HK\$0.224 per EC-Founder Share; (iii) a discount of approximately 4.4% to the average

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## LETTER FROM THE BOARD

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closing price as quoted on the Stock Exchange for the 30 trading days up to and including the date of the Agreement, being HK\$0.2285 per EC-Founder Share; and (iv) a discount of approximately 12.6% to the closing price as quoted on the Stock Exchange at the Latest Practicable Date, being HK\$0.25 per EC-Founder Share. As at 31st December, 2002, the audited consolidated net tangible asset value of EC-Founder was approximately HK\$136.6 million, and the net tangible asset value attributable to each EC-Founder Share (based upon the number of EC-Founder Shares in issue as at the Latest Practicable Date) was approximately HK\$0.1665. The issue price of HK\$0.2185 represents a premium of approximately 31.2% over the net tangible asset value per EC-Founder Share as at 31st December, 2002.

The Consideration Shares and the 23,615,560 Additional Shares represent approximately 37% of the issued share capital of EC-Founder as at the Latest Practicable Date and approximately 27% of the issued share capital of EC-Founder as enlarged by the issue of such Consideration Shares and Additional Shares. As at the Latest Practicable Date, Founder Hong Kong did not have any intention to transfer any of the Consideration Shares and the Additional Shares which may be issued to it or its nominee under the Agreement to any other persons.

### INFORMATION ON HK CENTURY AND PRC CENTURY

HK Century and PRC Century are presently the only two operating vehicles of the Founder Group which are principally engaged in the Business, i.e. the distribution of information products in Hong Kong and the PRC. The products distributed by HK Century and PRC Century include, among other things, servers, workstations, data storage devices and networking products of various international brand names. The Founder Group has been engaged in the Business since 1993. During late 2001, the Founder Group commenced a business restructuring with a view to improving operational efficiency of the Business. As part of the restructuring, the Business was transferred to HK Century and PRC Century during the first half of 2002. The present management of the Business has extensive experience in the information product distribution business. The management of HK Century and PRC Century has steered the Business towards achieving and maintaining a strong market position, for example:

- HK Century and PRC Century have established good business relationships with various internationally well-known information product manufacturers; and
- HK Century and PRC Century have established a distribution network in the PRC with over hundreds of sub-distributors.

HK Century is a company incorporated in Hong Kong on 6th May, 2002 with limited liability. PRC Century is a wholly-foreign owned enterprise incorporated in the PRC on 20th March, 2002 with limited liability.

The audited profit before and after taxation of HK Century were approximately HK\$58,000 and approximately HK\$41,000 respectively for the period from 6th May, 2002 (date of incorporation) to 31st December, 2002. As at 31st December, 2002, the audited net asset value of HK Century was approximately HK\$41,000.

## LETTER FROM THE BOARD

The audited loss before and after taxation of PRC Century were approximately HK\$4,494,000 and approximately HK\$4,494,000 respectively for the period from 20th March, 2002 (date of incorporation) to 31st December, 2002. As at 31st December, 2002, the audited net asset value of PRC Century was approximately HK\$70,926,000 which comprised non-current assets of approximately HK\$1,308,000, current assets of approximately HK\$199,643,000 and current liabilities of approximately HK\$130,025,000.

Based on the published audited financial statements of the Founder Group for the years ended 31st December, 2001 and 2002, the following table shows certain financial information on the Business and the Founder Group for each of the three financial years ended 31st December, 2000, 2001 and 2002.

	2000		2001		2002	
	The Business HK\$'000	The Founder Group HK\$'000	The Business HK\$'000	The Founder Group HK\$'000	The Business HK\$'000	The Founder Group HK\$'000
Turnover	855,461	2,087,853	895,776	1,669,883	514,574	1,442,015
Segment profit/(loss)	(16,363)	186,920	(77,324)	(325,920)	(20,741)	(69,779)
Profit/(loss) before tax and minority interests	N/A	179,620	N/A	(391,751)	N/A	(278,463)
Net profit/(loss) attributable to shareholders	N/A	181,006	N/A	(383,966)	N/A	(274,493)

*Note:* The total segment results of the Founder Group represent the consolidated profit/loss from operating activities of the Founder Group before interest income and impairment of goodwill. The figure of the segment loss of the Founder Group for the year ended 31st December, 2001 is extracted from the annual report of Founder for the year ended 31st December, 2002. Such figure is different from the segment loss of the Founder Group for the year ended 31st December, 2001 stated in the annual report of Founder for the year ended 31st December, 2001. The difference is due to reclassification of certain item in conformity to the presentation of the financial statements for the year ended 31st December, 2002.

The turnover of the Business for the year ended 31st December, 2002 decreased by approximately 42.6% as compared with that for the year ended 31st December, 2001. Despite the decrease in turnover of the Business for the year ended 31st December, 2002, the overall performance of the Business has improved during the year ended 31st December, 2002. The segment loss of the Business reduced significantly by approximately 73.2% from approximately HK\$77.3 million for the year ended 31st December, 2001 to approximately HK\$20.7 million for the year ended 31st December, 2002.

The decrease in the turnover of the Business for the year ended 31st December, 2002 is mainly due to the competitive market environment and the substantial restructuring and re-engineering of the Business carried out by the existing management which temporarily adversely affected the performance of the Business. This included establishing new relationships with various internationally well-known information product manufacturers, enhancement of the distribution network and the introduction of new finance, accounting and other control systems, all of which are expected to yield long-term benefits to the Business. The business restructuring and re-engineering was preliminary completed during the first half of 2002.

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## LETTER FROM THE BOARD

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Performance of the Business improved significantly in the second half of 2002. The management of HK Century and PRC Century believes that such improvement is principally a result of the business restructuring and the re-engineering in particular the introduction of the new inventory control system and credit control system and the strengthening of the logistic process. According to the published interim report of Founder for the 6 months ended 30th June, 2002, the turnover and segment loss of the Business were approximately HK\$245.7 million and HK\$20.1 million respectively. Based on the above interim segment result of the Business for the 6 months ended 30th June, 2002 and the result of the Business for the full year ended 31st December, 2002, the Business recorded a turnover of approximately HK\$268.9 million and recorded a small segment loss of approximately HK\$0.6 million for the second half of 2002. The Directors have confirmed that no exceptional or extraordinary items were recorded by the Founder Group in respect of the Business for the six months ended 30th June, 2002.

### REASONS FOR THE ACQUISITION

The Founder Group is principally engaged in a diversified portfolio of software and hardware businesses including software development, systems integration and distribution of information products (i.e. the Business currently carried out by HK Century and PRC Century). The Founder Group owned an approximate 39.45% interest in EC-Founder as at the Latest Practicable Date. After Completion, the Business will be carried out by the EC-Founder Group through its interest in HK Century and PRC Century and the Founder Group (excluding members of the EC-Founder Group after Completion) will continue to be principally engaged in software development and systems integration for media business and non-media business, where the strength of the Founder Group's business lies, and will cease to be engaged in the business of distribution of information products. The Directors confirm that there will not be any competition between the two listed groups upon Completion as a result of the Acquisition.

Although the Business will be sold to the EC-Founder Group under the Acquisition and the effective interest of Founder in HK Century and PRC Century will reduce from 100% to approximately 54.85% (based on the shareholding structure of EC-Founder as at the Latest Practicable Date and assuming there is no issue of Additional Shares), EC-Founder will become a subsidiary of Founder after Completion and, accordingly, the results of the EC-Founder Group, including those of the Business, will be consolidated into the accounts of the Founder Group after Completion. After Completion, EC-Founder Group will be principally engaged in the provision of software solutions and services, the Business and the manufacture and sale of electronic weighing scales.

As at 31st December, 2002, the audited net tangible asset value of the EC-Founder Group was approximately HK\$136.6 million. The audited loss before and after taxation of the EC-Founder Group for the year ended 31st December, 2001 were approximately HK\$69.3 million and HK\$69.0 million respectively and those for the year ended 31st December, 2002 were approximately HK\$84.3 million and HK\$85.4 million respectively. Although the EC-Founder Group was loss making for the year ended 31st December, 2002, the Directors believe that the business performance of the EC-Founder Group for the year ended 31st December, 2002 has improved as compared with the results of the previous year. The consolidated turnover of the continuing businesses of the EC-Founder Group for the year ended 31st December, 2001 increased to approximately HK\$243.4 million from approximately HK\$129.4 million for the year ended 31st December, 2000, representing an increase of approximately 88.1%. The EC-Founder Group disposed of its loss-making electronic components business in 2002. For 2002, the EC-Founder Group continued the record growth in the turnover of its continuing businesses. The consolidated turnover of the continuing businesses of the EC-Founder Group was approximately HK\$263.7 million for the year ended 31st December, 2002, representing a growth rate of approximately 8.3% as compared with the corresponding figure in 2001.

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## LETTER FROM THE BOARD

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The software development industry in the PRC was still competitive in 2002 and therefore affected the overall business performance of the core business of the EC-Founder Group, i.e. the software solutions and services business. Based on the audited financial statements of the EC-Founder Group for the year ended 31st December, 2002, the turnover of the software solutions and services business of the EC-Founder Group decreased by approximately 3.9% from approximately HK\$73.7 million for the year ended 31st December, 2001 to approximately HK\$70.8 million for the year ended 31st December, 2002 while the segment loss of the business only increased slightly to approximately HK\$35.7 million for the year ended 31st December, 2002 from approximately HK\$35.0 million for the year ended 31st December, 2001. The EC-Founder Group has adopted a number of measures with a view to reducing the operating costs of the business, including streamlining the organizational structure, reducing headcount and closing down of certain non-core and loss-making companies.

The EC-Founder Group recorded an impairment loss of goodwill of HK\$36.5 million, which had been previously written off against reserves of the EC-Founder Group, for the year ended 31st December, 2002. If such impairment loss of goodwill is excluded, the net loss attributable to the shareholders of EC-Founder for the year ended 31st December, 2002 would be approximately HK\$48.9 million representing a reduction of approximately 29.1% as compared with that for the year ended 31st December, 2001.

Following Completion, the Shareholders, through the majority shareholding of Founder in EC-Founder, will continue to enjoy any future potential growth in the business performance of the EC-Founder Group, including that of the Business.

Based on the aggregate audited net asset value of HK Century and PRC Century as at 31st December, 2002 and assuming that the Reviewed NAV will not be materially different from such audited figures as at 31st December, 2002, the Directors do not anticipate any material accounting gain or loss to the Founder Group as a result of the Acquisition.

The Founder Group intends to use the net proceeds from the Acquisition as general working capital of the Founder Group and currently there is no specific use planned for the net proceeds.

# LETTER FROM THE BOARD

## SHAREHOLDING STRUCTURE OF EC-FOUNDER

The table below shows the shareholding structure of EC-Founder:

	As at the Latest Practicable Date		Immediately after issue of the Consideration Shares		Immediately after issue of the Consideration Shares and 23,615,560 Additional Shares	
	Number of EC-Founder Shares	%	Number of EC-Founder Shares	%	Number of EC-Founder Shares	%
Founder Group (Note 1)	323,690,000	39.45	603,690,000	54.85	627,305,560	55.80
Parties acting in concert with Founder:						
F2 Consultant (Note 2)	*63,459,100	7.73	*63,459,100	5.77	*63,459,100	5.64
Other Founder Concert Parties (Note 3):						
Mr. Cheung Shuen Lung	36,890,100	4.50	36,890,100	3.35	36,890,100	3.28
Mr. Zhang Zhao Dong	3,956,000	0.48	3,956,000	0.36	3,956,000	0.35
Professor Wei Xin	3,956,000	0.48	3,956,000	0.36	3,956,000	0.35
Professor Xiao Jian Guo	*8,703,300	1.06	*8,703,300	0.79	*8,703,300	0.78
Mr. Jiang Bi Jin	*6,593,400	0.80	*6,593,400	0.60	*6,593,400	0.59
Sub-total	447,247,900	54.50	727,247,900	66.08	750,863,460	66.79
Yahoo! Inc.	93,240,000	11.36	*93,240,000	8.47	*93,240,000	8.29
Ricwinco Investment Limited (Note 4)	87,680,000	10.69	87,680,000	7.97	87,680,000	7.80
Other shareholders	*192,394,140	23.45	*192,394,140	17.48	*192,394,140	17.12
Total	<u>820,562,040</u>	<u>100.00</u>	<u>1,100,562,040</u>	<u>100.00</u>	<u>1,124,177,600</u>	<u>100.00</u>
* Public shareholding	<u>271,149,940</u>	<u>33.04</u>	<u>364,389,940</u>	<u>33.11</u>	<u>364,389,940</u>	<u>32.42</u>

Notes:

- The only controlling shareholder of Founder is Peking University Founder Group Corporation which held 367,179,610 shares of Founder, representing approximately 32.67% of the issued share capital of Founder as at the Latest Practicable Date.
- The 63,459,100 EC-Founder Shares are held by F2 Consultant as nominee on behalf of the directors of FDC (which currently include Mr. Cheung Shuen Lung, Mr. Zhang Zhao Dong, Professor Wei Xin and Professor Zou Wei) who are acting in their capacity as the trustees of a discretionary trust for the employees of FDC and its subsidiaries.

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## LETTER FROM THE BOARD

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3. Mr. Cheung Shuen Lung, Mr. Zhang Zhao Dong and Professor Wei Xin are directors of Founder and EC-Founder. Professor Xiao Jian Guo is a director of Founder. Mr. Jiang Bi Jin is a director of a wholly-owned subsidiary of Founder.
4. Ricwinco Investment Limited is wholly and beneficially owned by Mr. Yung Chih Shin, Richard, the Honorary Chairman and a non-executive director of EC-Founder. Mr. Yung Chih Shin, Richard and Ricwinco Investment Limited are connected persons of EC-Founder for the purposes of the Listing Rules.

As at the Latest Practicable Date, Founder together with its concert parties together held approximately 54.50% of the issued share capital of EC-Founder.

There were 22,800,000 share options for EC-Founder Shares outstanding as at the Latest Practicable Date. Out of such outstanding share options, 2,000,000 share options were held by Mr. Cheung Shuen Lung and 2,000,000 share options were held by Professor Wei Xin who are directors of Founder and EC-Founder. Save as disclosed above, none of Founder or any of the parties acting in concert with it held any share option of EC-Founder as at the Latest Practicable Date. As at the Latest Practicable Date, 2,000,000 share options were held by Professor Zou Wei and 2,700,000 share options were held by Mr. Richard Yung Jr. who are directors of EC-Founder. None of Mr. Cheung Shuen Lung, Professor Wei Xin, Professor Zou Wei and Mr. Richard Yung Jr. has any intention to exercise the share options held by each of them as at the Latest Practicable Date. The remaining 14,100,000 share options were held by employees of the EC-Founder Group. Save as disclosed above, there were no outstanding options, warrants or other securities which were convertible into EC-Founder Shares as at the Latest Practicable Date.

Founder, its associates and its concert parties, including, among others, the subsidiaries of Founder, F2 Consultant and the Other Founder Concert Parties, have not acquired any EC-Founder Shares since 19th September, 2002 (the date falling the 6 months prior to the date of the Announcement) up to the Latest Practicable Date.

### **WHITEWASH WAIVER**

As at the Latest Practicable Date, the Founder Group held approximately 39.45% of the issued share capital of EC-Founder. F2 Consultant and Other Founder Concert Parties are presumed to be parties acting in concert with Founder and held approximately 7.73% and approximately 7.32% of the issued share capital of EC-Founder respectively as at the Latest Practicable Date. Accordingly, Founder together with its concert parties held in aggregate approximately 54.50% of the issued share capital of EC-Founder as at the Latest Practicable Date.

Upon Completion, the percentage voting rights held by the Founder Group will increase from approximately 39.45% to (i) approximately 54.85% (based on the shareholding structure of EC-Founder as at the Latest Practicable Date and assuming no Additional Shares are issued); and (ii) approximately 55.80% (based on the shareholding structure of EC-Founder as at the Latest Practicable Date and assuming 23,615,560 Additional Shares are issued). Founder has applied to the Executive for the Whitewash Waiver in respect of the obligation which would otherwise arise under Rule 26.1 of the Takeovers Code for Founder to make a mandatory general offer for all the issued EC-Founder Shares not already owned by Founder or parties acting in concert with Founder. The Executive has agreed to grant the Whitewash Waiver subject to approval by the shareholders of EC-Founder who are not involved in, or interested in,

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## LETTER FROM THE BOARD

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the Agreement by an independent vote cast on a poll at a general meeting of EC-Founder in accordance with Note 1 of the Notes on dispensation from Rule 26 of the Takeovers Code or as may otherwise be required by the Executive. Founder and its concert parties and associates, including subsidiaries of Founder, F2 Consultant and Other Founder Concert Parties, will have to abstain from voting in respect of the resolution for approving the Acquisition and the Whitewash Waiver.

Founder and EC-Founder will issue a joint announcement as soon as practicable after the results of EC-Founder's general meeting are available.

### **GENERAL**

The Acquisition constitutes a discloseable transaction for Founder under the Listing Rules. Your attention is also drawn to the further information set out in the appendix to this circular.

Yours faithfully,  
By order of the Board  
**Cheung Shuen Lung**  
*Chairman*

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## GENERAL INFORMATION

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### 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to Founder. 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 statements herein misleading.

### 2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests of the Directors and the chief executive of Founder in the securities of Founder and its associated corporations (within the meaning of the SFO) which have been notified to Founder and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and including interests and short positions in which he has taken or deemed to have under such provisions of the SFO or which are required, pursuant to section 352 of the SFO, be entered into the register referred to therein or which are required to be notified to Founder and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Listing Rules, were as follows:

#### A. Directors' interests in shares of Founder and any of its associated corporations

- (i) Directors' interests in EC-Founder Shares, where EC-Founder is an associated corporation of Founder under the SFO

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of EC-Founder Shares held as at the Latest Practicable Date</b>
Cheung Shuen Lung	Personal	36,890,100
	As trustee*	63,459,100
Wei Xin	Personal	3,956,000
	As trustee*	63,459,100
Zhang Zhao Dong	Personal	3,956,000
	As trustee*	63,459,100
Xiao Jian Guo	Personal	8,703,300

\* These EC-Founder Shares held by each of the directors (a total of 63,459,100 EC-Founder Shares) are held by F2 Consultant as nominee on behalf of the directors of FDC who are acting in their capacity as the trustees of a discretionary trust for the employees of FDC and its subsidiaries.

- (ii) In addition to the above, as at the Latest Practicable Date, Mr. Cheung Shuen Lung had non-beneficial personal equity interests in certain subsidiaries of Founder held for the benefit of Founder, solely for the purpose of complying with the minimum company membership requirements.

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## GENERAL INFORMATION

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### B. Directors' rights to acquire shares in Founder and any of its associated corporations

Directors' interests in share options of EC-Founder

Name of Director	Number of share options held at the Latest Practicable Date	Date of grant of share options	Exercise period of share options	Exercise price of share options <i>HK\$</i>
Cheung Shuen Lung	2,000,000	18.5.2001	18.5.2001 to 17.5.2011	0.45
Wei Xin	2,000,000	18.5.2001	18.5.2001 to 17.5.2011	0.45
	<hr style="width: 20%; margin: auto;"/> <u>4,000,000</u>			

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or the chief executive of Founder had any interest in the securities of Founder or any associated corporation which were required to be notified to Founder 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 deemed or taken to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein.

### 3. SUBSTANTIAL SHAREHOLDERS (AS THAT TERM IS DEFINED IN THE LISTING RULES)

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors, the following person (not being a Director or the chief executive of Founder) was, directly or indirectly, interested in 10% or more of the share capital carrying rights to vote in all circumstances at general meetings of Founder:

Name of shareholder	Number of shares held	Percentage of Founder's share capital
Peking Founder	367,179,610	32.67%

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## GENERAL INFORMATION

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As at the Latest Practicable Date, the following corporations (not being a Director or the chief executive of Founder or his associates or a member of the Founder Group) were directly or indirectly, interested in 10% or more of the issued share capital of the following subsidiaries of Founder:

<b>Name of subsidiary</b>	<b>Name of shareholder</b>	<b>Percentage of shareholding</b>
Founder Searchage Technology Limited	Webforce Limited	30%
Founder Airsoft System Technology Limited	Chinalink First Limited	30%
Founder Information Ltd.	吉呈科技股份有限公司	26.32%
Hope Information Technology Co. Ltd.	中央日報社股份有限公司	48.80%
Founder International Inc.	Softbank Internet Technology Fund 2	13.57%
Power Print Inc.	Yahoo Japan Corporation	15%
	Konica Business Machines Japan Co., Ltd.	12.5%

Save as disclosed herein, the Directors and the chief executive of Founder are not aware of any person (not being a Director or the chief executive of Founder or his associates or a member of the Founder Group) known to the Directors 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 member of the Founder Group as at the Latest Practicable Date.

#### 4. SERVICE CONTRACT

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

#### 5. LITIGATION

As at the Latest Practicable Date, no member of the Founder Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Founder Group.

#### 6. GENERAL

- (i) The company secretary of Founder is Ms. Tang Yuk Bo, Yvonne, ACIS, ACS.
- (ii) The head office and principal place of business of Founder is at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong.

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## GENERAL INFORMATION

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- (iii) The principal registrar of Founder is Butterfield Fund Services (Bermuda) Limited at Rosebank Centre, 14 Bermudiana Road, Hamilton, Bermuda.
  
- (iv) The Hong Kong branch share registrar and transfer office of Founder is Computershare Hong Kong Investor Services Limited at Suite 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.