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FOUNDER HOLDINGS LIMITED

方正控股有限公司*

(Incorporated in Bermuda with limited liability)

DISCLOSEABLE AND CONNECTED TRANSACTION: PROPOSED TRANSACTION WITH SHENZHEN FIYTA HOLDINGS LIMITED

SUMMARY

Subsequent to its previous announcement dated 10 December 2001, the Company wishes to inform the public that Founder HK has entered into a memorandum with Shenzhen Fiyta revising and supplementing certain of the terms contained in the Heads Agreement regarding the proposed setting up of a joint venture in the PRC.

INTRODUCTION

The Company refers to its previous announcement of 10 December 2001 and wishes to update the public the current position regarding its proposed transaction with Shenzhen Fiyta.

As announced on 10 December 2001, the Company, through Founder HK, has entered into the Heads Agreement with Shenzhen Fiyta, a connected person of the Company, to establish an equity joint venture in the PRC to engage in the business of systems integration and the development and distribution of computer-related hardware and software. Upon such joint venture being duly established, Founder HK will procure the computer-related hardware distribution business including the related stock and inventory and non-tangible assets to be sold to it.

REVISED TRANSACTION STRUCTURE

On 19 March 2002, Founder HK and Shenzhen Fiyta entered into a memorandum revising certain terms of the Heads Agreement. Instead of establishing a joint venture at the outset, Founder HK shall on its own set up a wholly-owned foreign enterprise with a registered capital of RMB40,000,000 (equivalent to approximately HK\$37,735,849) and procure Founder Electronics to sell the computer-related hardware distribution business to such wholly-owned foreign enterprise. Such wholly-owned foreign enterprise will be named as "Beijing Founder Century Information System Co., Ltd (北京方正世紀信息系統有限公司)". At an appropriate timing, Founder HK and Shenzhen Fiyta will apply to the relevant authorities to convert Founder Century from a wholly-owned foreign enterprise into an equity joint venture with Shenzhen Fiyta to subscribe for 60% of the equity interest in Founder Century for RMB60,000,000 (equivalent to approximately HK\$56,603,774). Upon the conversion being duly approved, Founder Century shall have a registered capital of RMB100,000,000 (equivalent to approximately HK\$94,339,623) and be owned as 40% by Founder HK and 60% by Shenzhen Fiyta. At the time of the parties entering into a joint venture contract, an independent audit and valuation will be carried out on the financial position of Founder Century. In the event that the net asset of Founder Century as valued is higher than RMB40,000,000 (equivalent to approximately HK\$37,735,849), the excess amount will be paid out to Founder HK as dividend to the extent permissible under the applicable law. In case that the net asset value is less than RMB40,000,000 (equivalent to approximately HK\$37,735,849), the shortfall will have to be made up by Founder HK.

The directors of the Company are of the view that such arrangement is beneficial to the Company as the proposed segregation of the computer-related hardware distribution business from the other remaining businesses of Founder Electronics (i.e. the software development and systems integration business for media sector) is considered to be more cost-effective in terms of management of the businesses in the long run.

Upon Founder Century being duly converted into an equity joint venture, the profit guarantee by Founder Electronics for achieving for each of the first five financial years an annual return for Founder Century not less than the higher of (i) 7% of its net asset value; or (ii) RMB7 million (equivalent to approximately HK\$6,603,774) profit after tax shall be applicable.

Save as otherwise provided in the Memorandum, the terms and conditions contained in the Heads Agreement shall remain in full force and effect.

FORMAL AGREEMENT

It is expected that a formal agreement will be entered into between the parties confirming the detailed terms and conditions of the proposed transaction. Accordingly, the proposed transaction may or may not proceed in accordance with the terms of the Heads Agreement as supplemented by the Memorandum or at all. **Shareholders and public investors are therefore reminded to exercise due caution when dealing in the shares of the Company.**

Further announcement will be made in compliance with Listing Rules as and when appropriate.

Amounts denominated in RMB have been translated, for the purpose of this announcement, into HK\$ at a rate of HK\$1.00 = RMB1.06.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

"Company"	Founder Holdings Limited, a company incorporated in Bermuda, the shares of which are listed on the Stock Exchange;
"Founder Century"	Beijing Founder Century Information System Co., Ltd. (北京方正世紀信息系統有限公司), an enterprise to be established by Founder HK initially as a wholly-owned foreign enterprise which is proposed to be converted as an equity joint venture afterwards;
"Founder Electronics"	Beijing Founder Electronics Company Limited, a company incorporated in the PRC being a wholly-owned subsidiary of the Company;
"Founder HK"	Founder (Hong Kong) Limited, a company incorporated in Hong Kong being a wholly-owned subsidiary of the Company;
"Heads Agreement"	the heads of agreement relating to the establishment of a joint venture dated 7 December 2001 and entered into between Founder HK and Shenzhen Fiyta;
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"Memorandum"	the memorandum dated 19 March 2002 and entered into between Founder HK and Shenzhen Fiyta as supplement to the Heads Agreement;
"PRC"	the People's Republic of China;
"RMB"	Renminbi, the lawful currency of the PRC;
"Shenzhen Fiyta"	Shenzhen Fiyta Holdings Limited, a joint stock limited company incorporated under the laws of the PRC, the shares of which are listed on the Shenzhen Stock Exchange; and
"Stock Exchange"	The Stock Exchange of Hong Kong Limited.

By Order of the Board
Cheung Shuen Lung
Director

Hong Kong, 19 March 2002

* For identification purpose only

*Please also refer to the published version of this announcement in
Hong Kong iMail and Hong Kong Economic Times.*