



方正控股有限公司*

FOUNDER HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

ON-GOING CONNECTED TRANSACTIONS

The Group proposes to enter into the Lease Agreements with Peking Founder to lease from Peking Founder certain premises in Beijing, the PRC as its offices, staff canteen and staff quarters for an aggregate annual rental and management fees of approximately RMB24.82 million (equivalent to approximately HK\$23.42 million).

Peking Founder is the controlling shareholder of the Company holding approximately 32.67% of the Company's issued share capital and thus a connected person of the Company. Accordingly, the transactions under the Lease Agreements will constitute on-going connected transactions for the Company under the Listing Rules. The Company will apply to the Stock Exchange for the Waiver from strict compliance with the disclosure and shareholders' approval requirements in respect of connected transactions under the Listing Rules.

A special general meeting of the Company will be convened for the purpose of obtaining approval from the independent shareholders of the Company in respect of the transactions under the Lease Agreements and the Waiver. Peking Founder and its associates will abstain from voting at the special general meeting in respect of the resolution(s) to consider the transactions under the Lease Agreements and the Waiver. A circular containing, among other things, further details of the Lease Agreements and the Waiver, the recommendation of the independent board committee of the Company with respect to the Lease Agreements and the Waiver, a letter of advice from the independent financial adviser to such independent board committee and a notice of the special general meeting of the Company will be despatched to the Company's shareholders as soon as practicable.

THE LEASE AGREEMENTS

Founder Holdings Limited (the "Company") and its subsidiaries (together the "Group"), as lessees, propose to enter into new leases (the "Lease Agreements") with Peking University Founder Group Corporation ("Peking Founder"), as lessor, for certain premises in Beijing, the People's Republic of China (the "PRC") as the Group's offices, staff canteen and staff quarters.

Principal terms of the Lease Agreements

- Location of premises:** The entire building (except for certain areas on 3rd floor with a total area of approximately 2,000 square metres) of Shangdi Founder Building (上地方正大厦) at No. 9, 5th Street, Shangdi Information Industry Base, Haidian District, Beijing, the PRC

Lessor: Peking Founder

Lessee: Beijing Founder Electronics Co., Ltd., a wholly-owned subsidiary of the Company

Area: Approximately 17,000 square metres (including 13,000 square metres of area above ground and 4,000 square metres of area underground)

Unit rental and management fee: RMB2.7 per square metre per day for area above ground
RMB1.7 per square metre per day for area underground

Annual rental and management fees: RMB15,293,500 (equivalent to approximately HK\$14,427,830)

Period: From 1st May, 2003 to 31st December, 2005
- Location of premises:** 6th floor of Zhongguancun Founder Building (中關村方正大厦) at No. 298, Chengfu Road, Haidian District, Beijing, the PRC

Lessor: Peking Founder

Lessee: Beijing Founder Order Computer System Co., Ltd., a wholly-owned subsidiary of the Company

Area: Approximately 3,527 square metres

Unit rental and management fee: RMB4.8 per square metre per day

Annual rental and management fees: RMB6,179,304 (equivalent to approximately HK\$5,829,532)

Period: From 1st May, 2003 to 31st December, 2005
- Location of premises:** 6th floor of Zhongguancun Founder Building (中關村方正大厦) at No. 298, Chengfu Road, Haidian District, Beijing, the PRC

Lessor: Peking Founder

Lessee: Beijing Founder International Co., Ltd., a 78.8% owned subsidiary of the Company

Area: Approximately 750 square metres

Unit rental and management fee: RMB4.8 per square metre per day

Annual rental and management fees: RMB1,314,000 (equivalent to approximately HK\$1,239,623)

Period: From 1st May, 2003 to 31st December, 2005
- Location of premises:** 1st and 2nd floors of Founder Building (方正大厦) at No.204, Chengfu Road, Haidian District, Beijing, the PRC

Lessor: Peking Founder

Lessee: Beijing Founder Century Information System Co., Ltd., a wholly-owned subsidiary of the Company

Area: Approximately 1,800 square metres

Unit rental and management fee: RMB3.1 per square metre per day

Annual rental and management fees: RMB2,036,700 (equivalent to approximately HK\$1,921,415)

Period: From 1st May, 2003 to 31st December, 2005

After expiry of the above proposed leases, the lessees will be given the priority to continue to lease such premises from the lessor.

The lessees will be given a rent free period of two months. Upon execution of the Lease Agreements, the lessees will have to pay deposits to the lessor equal to one month of the rental and management fees for the premises at Shangdi Founder Building and two months of the rental and management fees for the premises at Zhongguancun Founder Building and Founder Building. The aggregate amount of the deposits is approximately RMB2,862,792 (equivalent to approximately HK\$2,700,747). Such deposits will be returned to the lessees after expiry of the leases. However, the relevant portion of the deposits will not be returned to the lessees if any of the leases is terminated before the expiry date and the lessee fails to introduce another tenant to the satisfaction of the lessor.

The lessor will have the right to terminate the leases if the lessees fail to comply with the terms and conditions of the Lease Agreements.

The total floor area to be rented by the Group is approximately 23,077 square metres and the relevant annual rental and management fees will amount to approximately RMB24.82 million (equivalent to approximately HK\$23.42 million) in aggregate.

REASONS FOR AND BENEFITS OF THE LEASE AGREEMENTS

The Group has been leasing certain premises at Shangdi Founder Building (上地方正大厦) and Founder Building (方正大厦) from Peking Founder as the Group's offices and research and development centre since December 1995. At the time of the initial listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 1995, a waiver was granted by the Stock Exchange to the Company from strict compliance with the disclosure and shareholders' approval requirements regarding such existing leasing arrangements with Peking Founder under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The waiver is valid for the period from the date when dealings of the shares of the Company first commenced on the Stock Exchange on 21st December, 1995 to 31st December, 2005. The above existing leases between the Group and Peking Founder will expire on 30th April, 2003.

The Group has also been leasing other premises from independent third parties (who are not connected persons of the Company for the purposes of the Listing Rules) in various other locations as its offices and warehouses in Beijing, the PRC and such leases are due to expire in July 2003. The Directors believe that it is necessary for the proposed new leases to commence before the expiry of the existing leases so that the Group will have sufficient time to renovate the new premises before moving in.

Currently, the total floor area occupied by the Group in Beijing, the PRC (including the premises rented from Peking Founder and those rented from independent third parties) is approximately 20,268 square metres with an aggregate annual rental and management fee payable of approximately RMB26 million.

The Group is currently planning to relocate its business operations in Beijing, the PRC, with a view to reducing the number of locations of its offices and centralizing its operations. The Company believes that this plan will improve the inter-office communication and therefore help improve the operational efficiency and to reduce operating costs in the long run. The premises under the Lease Agreements will mainly be used by the Group as the offices of its operations in Beijing, the PRC. As compared with the total floor area under the existing leases (including the premises rented from Peking Founder and those rented from independent third parties), the Group will rent additional areas of approximately 2,800 square metres under the proposed leases. In addition to office and warehouse space, the Company proposes to use part of the additional floor areas as staff canteen and staff quarters with a view to lowering staff travelling expenses and staff welfare expenses of the Group. The Group will use the 1st and 2nd floors of the Annex of Shangdi Founder Building as a staff canteen and the 3rd and 4th floors of the Annex of Shangdi Founder Building as staff quarters.

The terms of the Lease Agreements were reached after arm's length negotiations between the Group and Peking Founder on normal commercial terms. LCH (Asia-Pacific) Surveyors Limited, an independent surveyor appointed by the Company, is of the view that the unit rental and management fees payable for the various premises under the Lease Agreements are comparable to market rentals of premises in similar locations and are fair and reasonable. The Lease Agreements will be conducted in the ordinary and usual course of business of the Group. The directors of the Company believe that such transactions are in the interests of the Company, and the terms of the Lease Agreements are fair and reasonable so far as the interests of the Company's shareholders as a whole are concerned.

CONNECTED TRANSACTIONS AND WAIVER

Peking Founder is the controlling shareholder of the Company holding approximately 32.67% of the Company's issued share capital and thus a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Lease Agreements will constitute connected transactions for the Company under the Listing Rules.

As the aggregate annual rental and management fees payable under the Lease Agreements are expected to exceed the higher of HK\$10 million and 3% of the latest published consolidated net tangible asset value of the Company, the transactions under the Lease Agreements are subject to the disclosure (by way of press announcements) and shareholders' approval requirements under Chapter 14 of the Listing Rules. Given the on-going and recurring nature of the transactions under the Lease Agreements, the directors of the Company consider it impracticable and unduly burdensome for the Company to comply strictly with such disclosure and shareholders' approval requirements on each occasion the transactions arise. Accordingly, the Company will apply to the Stock Exchange a waiver (the "Waiver") from strict compliance with the disclosure and shareholders' approval requirements under the Listing Rules for each of the three financial years ending 31st December, 2003, 2004 and 2005 in respect of the transactions under the Lease Agreements subject to the following conditions:

- the Lease Agreements shall be:
 - entered into by the Group in the ordinary and usual course of its business;
 - entered into either (i) on normal commercial terms (which expression will be applied by reference to transactions of a similar nature and to be made by similar entities); or (ii) (where there is no available comparison) on terms that are fair and reasonable so far as the interests of the shareholders of the Company as a whole are concerned; and
 - carried out in accordance with the terms of the Lease Agreements;
- the annual aggregate amount of the transactions under the Lease Agreements shall not exceed RMB24,823,504 (the "Cap");
- the independent non-executive directors of the Company shall review annually the transactions under the Lease Agreements and confirm in the Company's annual report for each financial year to which this waiver applies that the transactions under the Lease Agreements have been conducted in the manner as stated in paragraphs 1 and 2 above;
- the auditors of the Company shall review annually the transactions under the Lease Agreements for each financial year to which this waiver applies and confirm in a letter (the "Letter") to the board of directors of the Company (a copy of which shall be provided to the Stock Exchange) stating whether:
 - the transactions under the Lease Agreements have been approved by the board of directors of the Company;
 - the transactions under the Lease Agreements have been conducted in accordance with the terms of the Lease Agreements; and
 - the Cap has been exceeded or not;where, for whatever reason, the auditors of the Company decline to accept the engagement or are unable to provide the board of directors of the Company with the Letter, the Company shall inform the Stock Exchange immediately; and
- details of the transactions under the Lease Agreements shall be disclosed in the Company's annual report for each of the three financial years ending 31st December, 2003, 2004 and 2005 in accordance with the disclosure requirements under Rule 14.25(1) (A) to (D) of the Listing Rules together with a statement of opinion of the independent non-executive directors of the Company and the auditors of the Company referred to in paragraphs 3 and 4 above.

Peking Founder will undertake to the Company that it will allow the auditors of the Company sufficient access to its records with a view to allowing the auditors of the Company to report on the transactions in accordance with paragraph 4 above.

Should there be any change to the terms and conditions of the Lease Agreements, the Company will comply with the relevant requirements under Chapter 14 of the Listing Rules unless the Company applies for and obtains a separate waiver from the Stock Exchange.

GENERAL

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 products in the PRC.

A special general meeting of the Company will be convened for the purpose of obtaining approval from the independent shareholders of the Company in respect of the transactions under the Lease Agreements and the Waiver. Peking Founder and its associates will abstain from voting at the special general meeting in respect of the resolution(s) to consider the transactions under the Lease Agreements and the Waiver. A circular containing, among other things, further details of the Lease Agreements, the recommendation of the independent board committee of the Company with respect to the Lease Agreements and the Waiver, a letter of advice from the independent financial adviser to such independent board committee and a notice of the special general meeting of the Company will be despatched to the Company's shareholders as soon as practicable.

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

Hong Kong, 19th March, 2003

* For identification purpose only

*Please also refer to the published version of this announcement in
The Standard and Sing Tao Daily.*