



## EC-FOUNDER (HOLDINGS) COMPANY LIMITED

# 方正數碼(控股)有限公司\*

(Incorporated in Bermuda with limited liability)

### ON-GOING CONNECTED TRANSACTIONS

The Group entered into the Lease Agreement with Peking Founder on 29 April 2003 to lease from Peking Founder certain premises in Beijing, the PRC as its office for an annual rental and management fee of RMB2,529,450 (equivalent to approximately HK\$2,386,300). Subject to the completion of the acquisition of the entire equity interest in PRC Century by the Company from Founder, the transactions under the Century Lease Agreement with an annual rental and management fee of RMB2,036,700 (equivalent to approximately HK\$1,921,400), entered into between PRC Century and Peking Founder on 29 April 2003, will also constitute on-going connected transactions for the Company.

Founder is the controlling shareholder of the Company holding approximately 39.45% interest in the Company. Peking Founder is the controlling shareholder of Founder holding approximately 32.67% of the issued share capital of Founder. Peking Founder is a connected person of the Company and the transactions under the Lease Agreement constitute on-going connected transactions for the Company under the Listing Rules. The Company has applied to the Stock Exchange for a waiver from strict compliance with the disclosure requirements under Rule 14.25(1) of the Listing Rules.

#### THE LEASE AGREEMENT

EC-Founder (Holdings) Company Limited (the "Company") and its subsidiaries (together the "Group"), as lessee, entered into a lease agreement (the "Lease Agreement") with Peking University Founder Group Corporation ("Peking Founder"), as lessor, on 29 April 2003 for leasing certain premises in Beijing, the People's Republic of China (the "PRC") as the Group's office.

#### Principal terms of the Lease Agreement

Lessor:	Peking Founder
Lessee:	EC-Founder Co., Ltd., a wholly-owned subsidiary of the Company
Property leased:	3rd floor to 5th floor of Founder Building (方正大樓) at No.204, Chengfu Road, Haidian District, Beijing, the PRC
Area:	Approximately 2,300 square metres (including approximately 1,800 square metres for 3rd and 4th floors and approximately 500 square metres for 5th floor)
Unit rental and management fee:	RMB3.1 per square metre per day for 3rd and 4th floors RMB2.7 per square metre per day for 5th floor
Annual rental and management fee:	RMB2,529,450 (equivalent to approximately HK\$2,386,300)
Period:	From 1 May 2003 to 31 December 2005

After expiry of the Lease Agreement, the Group will be given the priority to continue to lease such premises from Peking Founder.

The Group is given a rent-free period of two months. The Group has paid a deposit to Peking Founder equal to two months of the rental and management fee for the premises under the Lease Agreement amounted to RMB421,575 (equivalent to approximately HK\$397,700). Such deposit will be returned to the Group after expiry of the Lease Agreement. However, Peking Founder will have the right to use the deposit to cover any losses incurred by it as a result of any act of the Group including any loss of rental income if the Lease Agreement is terminated before the expiry date and the Group fails to introduce another tenant to the satisfaction of Peking Founder.

Peking Founder will have the right to terminate the Lease Agreement if the Group fails to comply with the terms and conditions of the Lease Agreement.

#### REASONS FOR AND BENEFITS OF THE LEASE AGREEMENT

The Group is principally engaged in the provision of software solutions and services and the manufacture and sale of electronic weighing scales. With a view to reducing the operating expenses of the Group for its operations in Beijing, the PRC, the Group has entered into the Lease Agreement. The office of the software solutions and services operations of the Group in Beijing, the PRC will be relocated to the premises under the Lease Agreement. The annual rental and management fee payable under the Lease Agreement represents a reduction of approximately 31% as compared with the aggregate annual rental and management fee payable under the existing leases which are due to expire on 24 July 2003. Such existing leases were entered into with a person not connected with the Company and any of the directors, chief executive and substantial shareholders of the Company or its subsidiaries or any of their respective associates.

The terms of the Lease Agreement were reached after arm's length negotiations between the Group and Peking Founder. The Lease Agreement was entered into in the ordinary and usual course of business of the Group. The directors (including the independent non-executive directors) of the Company believe that the transactions under the Lease Agreement are in the interests of the Company, and the terms of the Lease Agreement are fair and reasonable so far as the interests of the Company's shareholders as a whole are concerned. LCH (Asia-Pacific) Surveyors Limited, an independent surveyor appointed by the Company, is of the view that the unit rental and management fee payable under the Lease Agreement is comparable to market rentals of premises in similar locations and is fair and reasonable.

#### LEASE AGREEMENT BETWEEN PRC CENTURY AND PEKING FOUNDER

The board of directors of the Company refers to the joint announcement of Founder Holdings Limited ("Founder") and the Company dated 19 March 2003 in relation to, among other things, the proposed acquisition (the "Acquisition") of the entire equity interest in Beijing Founder Century Information System Co., Ltd. ("PRC Century") by the Company from Founder (Hong Kong) Limited, a wholly-owned subsidiary of Founder. After completion of the Acquisition, PRC Century will become a wholly-owned subsidiary of the Company.

On 29 April 2003, PRC Century entered into a lease agreement (the "Century Lease Agreement") with Peking Founder. The principal terms of the Century Lease Agreement are as follows:

Lessor:	Peking Founder
Lessee:	PRC Century
Property leased:	1st and 2nd floors of Founder Building (方正大樓) at No.204, Chengfu Road, Haidian District, Beijing, the PRC
Area:	Approximately 1,800 square metres
Unit rental and management fee:	RMB3.1 per square metre per day
Annual rental and management fee:	RMB2,036,700 (equivalent to approximately HK\$1,921,400)
Period:	From 1 May 2003 to 31 December 2005

Further details of the Century Lease Agreement have been set out in an announcement of Founder dated 19 March 2003 ("Founder's Announcement"). The premises under the Century Lease Agreement will be used by PRC Century as its office. As set out in the Founder's Announcement, LCH (Asia-Pacific) Surveyors Limited has expressed its view that the unit rental and management fee payable under the Century Lease Agreement is comparable to market rentals of premises in similar locations and is fair and reasonable.

#### CONNECTED TRANSACTION WAIVER

Founder is the controlling shareholder of the Company holding approximately 39.45% interest in the Company. Peking Founder is the controlling shareholder of Founder holding approximately 32.67% of the issued share capital of Founder. Peking Founder is a connected person of the Company under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Accordingly, the transactions under the Lease Agreement constitute and, subject to the completion of the Acquisition, those under the Century Lease Agreement will constitute connected transactions for the Company under the Listing Rules.

As the aggregate annual rental and management fee payable under the Lease Agreement and the Century Lease Agreement (if applicable) are expected to exceed the higher of HK\$1 million or 0.03% of the latest published net tangible asset value of the Group but not exceed the higher of HK\$10 million or 3% of the latest published net tangible asset value of the Group, the transactions under the Lease Agreement and the Century Lease Agreement (if applicable) are subject to the disclosure requirements under Rule 14.25(1) of the Listing Rules. Given the on-going and recurring nature of the transactions under the Lease Agreement and the Century Lease Agreement, the directors of the Company consider it impracticable and unduly burdensome for the Company to strictly comply with such disclosure requirements on each occasion the transactions arises. Accordingly, the Company has applied to the Stock Exchange for a waiver (the "Waiver") from strict compliance with the disclosure requirements of the Listing Rules on the following conditions:

- the Lease Agreement and the Century Lease Agreement (if applicable) shall be:
  - entered into by the Group in the ordinary and usual course of its business;
  - entered into either (i) on normal commercial terms; 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 Agreement and the Century Lease Agreement (if applicable);
- the annual aggregate rental and management fee payable under the Lease Agreement and the Century Lease Agreement (if applicable) shall not exceed RMB2,529,450 and RMB2,036,700 respectively (the "Cap");
- the independent non-executive directors of the Company shall review annually the transactions under the Lease Agreement and the Century Lease Agreement (if applicable) and confirm in the Company's annual report for each financial year to which the Waiver applies that the transactions thereunder 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 Agreement and the Century Lease Agreement (if applicable) 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 Agreement and the Century Lease Agreement (if applicable) have been approved by the board of directors of the Company;
  - the transactions under the Lease Agreement and the Century Lease Agreement (if applicable) have been conducted in accordance with the terms of the Lease Agreement and the Century Lease Agreement (if applicable); 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 Agreement and the Century Lease Agreement (if applicable) shall be disclosed in the Company's annual report 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.

Should there be any change to the terms and conditions of the Lease Agreement and the Century Lease Agreement (if applicable), 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.

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

Hong Kong, 29 April 2003

\* For identification purpose only

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