

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2008

The board of directors (the “Board”) of EC-Founder (Holdings) Company Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim financial results and financial position of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2008, together with the comparative figures for the corresponding period in 2007. The condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	For the six months ended 30 June	
		2008	2007
		(Unaudited)	(Unaudited)
		HK\$’000	HK\$’000
REVENUE		1,930,878	1,237,417
Cost of sales		(1,826,192)	(1,172,438)
Gross profit		104,686	64,979
Other income and gains	3	3,501	2,531
Selling and distribution costs		(45,244)	(27,044)
Administrative expenses		(32,111)	(28,143)
Other income/(expenses), net		3,175	(1,537)
Finance costs	4	(1,863)	(2,018)
Share of profits and losses of associates		6,053	2,529
PROFIT BEFORE TAX	5	38,197	11,297
Tax	6	(6,790)	(911)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		31,407	10,386
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic	7	2.84 cents	0.94 cents
– Diluted	7	N/A	0.94 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		6,780	6,691
Goodwill		2,892	2,892
Interests in associates		39,431	33,378
		<hr/>	<hr/>
Total non-current assets		49,103	42,961
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		173,346	113,513
Trade and bills receivables	8	633,969	297,205
Prepayments, deposits and other receivables		149,904	148,738
Pledged deposits		116,003	95,751
Cash and cash equivalents		195,354	296,286
		<hr/>	<hr/>
Total current assets		1,268,576	951,493
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade and bills payables	9	804,045	559,249
Other payables and accruals		137,897	133,417
Interest-bearing bank and other borrowings		62,897	42,822
Tax payable		6,045	478
		<hr/>	<hr/>
Total current liabilities		1,010,884	735,966
		<hr/>	<hr/>
NET CURRENT ASSETS		257,692	215,527
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		306,795	258,488
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Finance lease payable		167	244
		<hr/>	<hr/>
Net assets		306,628	258,244
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Issued capital		110,606	110,606
Reserves		196,022	147,638
		<hr/>	<hr/>
Total equity		306,628	258,244
		<hr/> <hr/>	<hr/> <hr/>

Notes:

1. ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2007, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period’s financial statements:

HK(IFRIC)-Int 11	<i>HKFRS 2 – Group and Treasury Share Transactions</i>
HK(IFRIC)-Int 12	<i>Service Concession Arrangements</i>
HK(IFRIC)-Int 14	<i>HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group’s equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

The adoption of the above new and revised HKFRSs has no material impact on the Group’s results of operations and financial position.

2. SEGMENT INFORMATION

The Group’s primary business segment is the distribution of information products. Since this is the only business segment of the Group, no further analysis thereof is presented.

3. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	2,497	1,727
Government grants	249	523
Gain on disposal of items of property, plant and equipment	5	–
Others	750	281
	<u>3,501</u>	<u>2,531</u>

4. FINANCE COSTS

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans	1,843	1,990
Interest on finance lease	20	28
	<u>1,863</u>	<u>2,018</u>

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	1,381	1,236
Impairment/(reversal of impairment) of trade receivables	(3,863)	1,537
Provision/(reversal of provision) for obsolete inventories	2,925	(25)
	<u>1,443</u>	<u>2,748</u>

6. TAX

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Elsewhere	6,790	911

No provision for Hong Kong profits tax has been made as the relevant subsidiaries either did not generate any assessable profits arising in Hong Kong during the period or have available tax losses brought forward from prior years to offset the assessable profits generated during the period (2007: Nil).

The corporate income tax provision in the People's Republic of China (the "PRC") in respect of operations in the PRC is calculated at the applicable tax rates on the estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof. Pursuant to the PRC Corporate Income Tax Law passed by the 10th National People's Congress on 16 March 2007, the new corporate income taxes for domestic and foreign enterprises are unified at 25%, which is effective from 1 January 2008. As a result, the corporate income tax rate of PRC subsidiaries of the Group has changed to 25% with effect from 1 January 2008.

The share of tax attributable to associates amounting to approximately HK\$1,395,000 (2007: HK\$975,000) is included in "Share of profits and losses of associates" on the face of the condensed consolidated income statement.

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts for the six months ended 30 June 2008 is based on the unaudited profit for the period attributable to ordinary equity holders of the parent of approximately HK\$31,407,000 (2007: HK\$10,386,000), and the weighted average number of 1,106,062,040 (2007: 1,100,562,040) ordinary shares in issue during the period.

Diluted earnings per share amounts for the six months ended 30 June 2008 has not been disclosed as the impact of the outstanding share options did not have a dilutive effect.

The calculation of diluted earnings per share amounts for the six months ended 30 June 2007 is based on the unaudited profit for the period attributable to ordinary equity holders of the parent of approximately HK\$10,386,000 and 1,108,315,580 ordinary shares, which was the weighted average of 1,100,562,040 ordinary shares in issue during the period and the weighted average of 7,753,540 ordinary shares deemed to have been issued at no consideration on the deemed exercise of all the outstanding share options during the period.

8. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Trade and bills receivables are settled in accordance with the terms of the respective contracts. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the balance sheet date, based on the invoice date and net of provisions is as follows:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Within 6 months	620,016	285,857
7-12 months	9,189	7,412
13-24 months	4,764	3,936
	<u>633,969</u>	<u>297,205</u>

Included in the Group's trade and bills receivables are amounts due from subsidiaries and associate of the substantial shareholders of approximately HK\$60,589,000 (2007: HK\$15,666,000), which are repayable on similar credit terms to those offered to the major customers of the Group.

9. TRADE AND BILLS PAYABLES

An aged analysis of trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Within 6 months	802,925	558,428
Over 6 months	1,120	821
	<u>804,045</u>	<u>559,249</u>

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2008 (2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

The Group reported a profit attributable to equity holders of the parent for the six months ended 30 June 2008 of HK\$31.4 million (six months ended 30 June 2007: HK\$10.4 million). The Group's revenue for the current interim period has increased by 56.0% to HK\$1,930.9 million compared to HK\$1,237.4 million for the six months ended 30 June 2007. In addition, the Group has recorded an increase in the gross profit margin from last interim period's 5.25% to the current interim period's 5.42%, gross profit has increased by 61.1% to HK\$104.7 million (six months ended 30 June 2007: HK\$65.0 million).

Though revenue has recorded a moderate 56.0% growth in the current interim period, total selling and distribution costs and administrative expenses for the current interim period has increased by 40.2% compared to the six months ended 30 June 2007.

The increase in the Group's consolidated profit for the period attributable to the equity holders of the parent was mainly the net results of:

- a. an increase in the revenue for the distribution of information products business by 56.0% to HK\$1,930.9 million (six months ended 30 June 2007: HK\$1,237.4 million);
- b. an increase in gross profit ratio from the last interim period's 5.25% to the current interim period's 5.42%; and
- c. an increase in the share of profits and losses of associates by 139.3% to approximately HK\$6.1 million (six months ended 30 June 2007: HK\$2.5 million).

Basic earnings per share attributable to equity holders of the parent for the period was HK2.84 cents (six months ended 30 June 2007: HK0.94 cents).

Operating Review

The Group's principal operating activity during the current interim period is the distribution of information products business ("Distribution Business"). The Distribution Business recorded a turnover of HK\$1,930.9 million representing an increase of 56.0% comparing to the last interim period, which exceeded the estimated average growth of the PRC information products. The Group's profit before tax excluding share of profits and losses of associates has increased by 266.6% to HK\$32.1 million (six months ended 30 June 2007: HK\$8.8 million). In addition, gross profit for the Distribution Business has recorded an increase of 61.1% to HK\$104.7 million for the current interim period (six months ended 30 June 2007: HK\$65.0 million) and gross profit ratio has increased to 5.42% for the current interim period comparing to 5.25% for the six months ended 30 June 2007.

The Distribution Business mainly focused on the distribution of information products such as servers, printers, switches, networking products, storage devices, workstations and optical screen products of a number of internationally famed and branded information products manufacturers such as HP, H3C, Apple, Netgear, CommScope, Barco, Epson, Microsoft and LifeSize.

The Distribution Business has been awarded by various upstream vendors during the current interim period for its excellent partnership in terms of distribution channel, coverage, growth and overall performance in the PRC. In 2008, the Distribution Business was ranked the 5th place by Computer Information World (中國計算機報) among the top 100 information products distributors in the PRC's information products distribution business (2008年分銷商百強第五名) and awarded as the most reliable information products distributor (2008年最受渠道商信賴的IT分銷企業).

Although the operating environment of the Distribution Business in the PRC was very competitive, total selling and distribution costs and administrative expenses for the Group as a percentage to turnover has decreased from 4.46% for the six months ended 30 June 2007 to the current interim period's 4.01%. With the moderate increase in the headcount and a deteriorating operating environment in the PRC, the Group's outstanding performance in the Distribution Business for the current interim period was the result of the management's continued effort in various management aspects such as working capital, human resources, customer relationship and products and distribution channel. The Group's trade and bills receivables and inventory turnover periods have improved from the six months ended 30 June 2007's 46.4 days and 19.6 days to the current interim period's 44.0 days and 14.3 days respectively. The working capital ratio for the Group as at 30 June 2008 was 1.25 (31 December 2007: 1.29).

Prospects

Looking forward, as the business environment in the PRC is becoming more competitive and the unfavorable factors arising from the macro-control policies, the Group will be facing increasing operating costs and expenses. However, the Group is dedicated for a medium to long term development plan of maintaining a satisfactory growth in results and fulfilling its objective to enhance shareholders' value. The Distribution Business will continuously refine its product structure to avoid product overlapping and minimize market risk. The Group will focus on the distribution of information products with higher margin and exploring the more profitable value-added service business.

Besides the implementation of an efficient and effective internal control system and the continuing provision of staff development programs, the Group is committed to strive for leadership in the information products distribution business in the PRC. Nevertheless, to enrich and widen the product range and improving the Group's profitability, the Group will continue to look for alliance with other international information products suppliers and investment opportunities. The Board and the management team are also devoted to sustain the Group's future growth and widen the revenue base for a better reward to the shareholders.

Financial Review

Liquidity, financial resources and capital commitments

During the Period, the Group generally financed its operations with internally generated resources and banking facilities provided by its principal bankers in Hong Kong and the PRC. As at 30 June 2008, the Group had approximately HK\$63.1 million interest-bearing bank and other borrowings (31 December 2007: HK\$43.1 million). Bank borrowings of approximately HK\$17.3 million (31 December 2007: Nil) was floating interest bearing and denominated in United States Dollars (“U.S. Dollars”) with maturity within one year. The remaining bank and other borrowings of approximately HK\$45.8 million (31 December 2007: HK\$43.1 million) were fixed interest bearing and denominated in Hong Kong Dollars and Renminbi (“RMB”), of which approximately HK\$45.6 million and HK\$0.2 million were matured within one year and two to five years, respectively. The Group’s banking facilities were secured by corporate guarantees given by the Company and Peking University Founder Group Company Limited.

At 30 June 2008, the Group recorded total assets of approximately HK\$1,317.7 million (31 December 2007: HK\$994.5 million) which were financed by liabilities of approximately HK\$1,011.1 million (31 December 2007: HK\$736.2 million) and equity of approximately HK\$306.6 million (31 December 2007: HK\$258.2 million). The Group’s net asset value as at 30 June 2008 was approximately HK\$306.6 million (31 December 2007: HK\$258.2 million).

The Group had total cash and bank balances of approximately HK\$311.4 million as at 30 June 2008 (31 December 2007: HK\$392.0 million). After deducting the Group’s bank and other borrowings, the Group recorded net cash and bank balances of approximately HK\$248.3 million as at 30 June 2008 (31 December 2007: HK\$348.9 million). As at 30 June 2008, the Group’s current ratio was 1.25 (31 December 2007: 1.29).

At 30 June 2008 and 31 December 2007, the Group did not have any material capital expenditure commitments.

Treasury policies

The Group adopts conservative treasury policies and controls tightly over its cash and risk management. The Group’s cash and cash equivalents are held mainly in Hong Kong Dollars, RMB and U.S. Dollars. Surplus cash is generally placed in short-term deposits denominated in Hong Kong Dollars, RMB and U.S. Dollars.

Exposure to fluctuations in exchange rates and related hedges

The Group mainly operates in the PRC, so most of its revenue and expenses are measured in RMB. The value of RMB against U.S. Dollars and currencies may fluctuate and is affected by, among other things, changes in China’s political and economic conditions. The conversion of RMB into foreign currencies, including U.S. Dollars and Hong Kong Dollars, has been based on rates set by the People’s Bank of China.

In the first half of 2008, though the exchange rates of RMB to U.S. Dollars and Hong Kong Dollars kept on increasing, the directors expect that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group, therefore, no financial instruments have been used for hedging purposes.

Charges on assets

As at 30 June 2008, bank deposits of approximately HK\$116.0 million were pledged to banks to secure general banking facilities granted.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2008 (31 December 2007: Nil).

Employee and Remuneration Policies

As at 30 June 2008, the Group had 659 employees (31 December 2007: 573). These employees almost all work in the Mainland China. The Company has also established share option schemes and share options are granted at the directors' discretion to motivate and reward the employees with outstanding performance. The Company had not granted any share options during the current period.

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

CORPORATE GOVERNANCE

None of the directors of the Company is aware of any information which would reasonably indicate that the Company has not, throughout the six months ended 30 June 2008, complied with the code provisions of the Code of Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted a model code of conduct regarding securities transactions by directors of the Company on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's condensed consolidated interim financial statements for six months ended 30 June 2008, including the accounting principles adopted by the Group, with the Company's management.

DISCLOSURE OF INFORMATION ON WEBSITE OF THE STOCK EXCHANGE

The 2008 interim report of the Company containing all the information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders of the Company and published on the Stock Exchange's website (<http://www.hkex.com.hk>) and the Company's website (<http://www.irasia.com/listco/hk/ecfounder/index.htm>) in due course.

By Order of the Board
EC-FOUNDER (HOLDINGS) COMPANY LIMITED
Zhang Zhao Dong
Chairman

Hong Kong
26 September 2008

As at the date of this announcement, the Board of the Company comprises the executive directors of Mr Zhang Zhao Dong (Chairman), Mr Chen Geng (President), Mr Xia Yang Jun, Mr Xie Ke Hai and Mr Zheng Fu Shuang, and the independent non-executive directors of Mr Li Fat Chung, Ms Wong Lam Kit Yee and Ms Cao Qian.

* *For identification purpose only*