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 **EC-FOUNDER (HOLDINGS) COMPANY LIMITED**  
**方正數碼(控股)有限公司\***

(Incorporated in Bermuda with limited liability)

(Stock code: 00618)

**INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2010**

The board of directors (the “Board”) of EC-Founder (Holdings) Company Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2010, together with the comparative figures for the corresponding period in 2009. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company’s audit committee.

**CONDENSED CONSOLIDATED INCOME STATEMENT**

*For the six months ended 30 June 2010*

		<b>For the six months ended</b>	
		<b>30 June</b>	
		<b>2010</b>	<b>2009</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>Notes</i>	<b>HK\$’000</b>	<b>HK\$’000</b>
REVENUE		<b>2,090,516</b>	1,809,895
Cost of sales		<b>(1,998,961)</b>	(1,713,358)
Gross profit		<b>91,555</b>	96,537
Other income and gains	3	<b>4,304</b>	5,600
Selling and distribution costs		<b>(51,710)</b>	(49,729)
Administrative expenses		<b>(34,554)</b>	(29,520)
Other operating expenses, net		<b>(3,377)</b>	(9,036)
Finance costs	4	<b>(1,677)</b>	(1,279)
Share of profits and losses of associates		<b>(589)</b>	6,447
<b>PROFIT BEFORE TAX</b>	5	<b>3,952</b>	19,020
Income tax expense	6	<b>(1,675)</b>	(1,655)
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		<b><u>2,277</u></b>	<b><u>17,365</u></b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
– Basic	7	<b><u>0.21 cents</u></b>	<b><u>1.57 cents</u></b>
– Diluted	7	<b><u>0.20 cents</u></b>	<b><u>1.57 cents</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	For the six months ended	
	30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	2,277	17,365
Exchange differences on translation of foreign operations	<u>1,134</u>	<u>(468)</u>
Other comprehensive income/(loss) for the period, net of tax	<u>1,134</u>	<u>(468)</u>
Total comprehensive income for the period, net of tax	<u><u>3,411</u></u>	<u><u>16,897</u></u>
Attributable to:		
Owners of the parent	<u><u>3,411</u></u>	<u><u>16,897</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2010

		<b>30 June</b>	31 December
		<b>2010</b>	2009
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>6,353</b>	5,093
Goodwill		<b>2,892</b>	2,892
Interests in associates		<b>41,455</b>	42,044
		<hr/>	<hr/>
Total non-current assets		<b>50,700</b>	50,029
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Inventories		<b>238,762</b>	171,456
Trade and bills receivables	8	<b>722,600</b>	439,274
Prepayments, deposits and other receivables		<b>161,241</b>	192,808
Tax recoverable		–	28
Pledged deposits		<b>223,032</b>	178,051
Cash and cash equivalents		<b>286,306</b>	419,070
		<hr/>	<hr/>
Total current assets		<b>1,631,941</b>	1,400,687
		<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	9	<b>1,075,405</b>	922,705
Other payables and accruals		<b>183,749</b>	180,601
Interest-bearing bank borrowings		<b>97,897</b>	26,880
Tax payable		<b>1,649</b>	–
		<hr/>	<hr/>
Total current liabilities		<b>1,358,700</b>	1,130,186
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>273,241</b>	270,501
		<hr/>	<hr/>
Net assets		<b>323,941</b>	320,530
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
Issued capital		<b>110,606</b>	110,606
Reserves		<b>213,335</b>	209,924
		<hr/>	<hr/>
Total equity		<b>323,941</b>	320,530
		<hr/> <hr/>	<hr/> <hr/>

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2010

### 1. ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2010 have been 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 the same as those used in the annual financial statements for the year ended 31 December 2009, 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:

HKFRSs Amendments	<i>Improvement to HKFRSs 2009</i>
HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 32 Amendment	<i>Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i>
Amendments to HKFRS 5 included in <i>Improvements to HKFRSs</i> issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary</i>
HK Interpretation 4 (Revised in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>

The adoption of the above new and revised HKFRSs has had no significant effect on these condensed consolidated interim financial statements.

### 2. OPERATING SEGMENT INFORMATION

The Group has only one operating segment which is the distribution of information products. Since this is the only operating segment of the Group, no further analysis thereof is presented.

### 3. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Bank interest income	3,349	4,378
Other interest income	442	–
Government grants	213	972
Others	300	250
	<u>4,304</u>	<u>5,600</u>

### 4. FINANCE COSTS

	For the six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Interest on bank loans	1,677	1,259
Interest on finance lease	–	20
	<u>1,677</u>	<u>1,279</u>

### 5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Depreciation	989	1,301
Impairment of trade receivables	2,394	10,894
Provision/(reversal of provision) for obsolete inventories	2,219	(14,200)
	<u>2,219</u>	<u>(14,200)</u>

## 6. INCOME TAX

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – The People's Republic of China (the "PRC")	<u>1,675</u>	<u>1,655</u>

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 (six months ended 30 June 2009: Nil).

Beijing Founder Century Information Systems Co., Ltd., a wholly-owned subsidiary of the Company, was registered as a new and high technology enterprise, and is subject to PRC corporate income tax at a rate of 15% on its assessable profits.

The share of tax attributable to associates amounting to approximately HK\$448,000 (six months ended 30 June 2009: HK\$1,758,000) is included in "Share of profits and losses of associates" in 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 2010 is based on the unaudited profit for the period attributable to ordinary equity holders of the parent of approximately HK\$2,277,000 (six months ended 30 June 2009: HK\$17,365,000), and the weighted average number of 1,106,062,040 (six months ended 30 June 2009: 1,106,062,040) ordinary shares in issue during the period.

The calculation of diluted earnings per share amounts for the six months ended 30 June 2010 is based on the unaudited profit for the period attributable to ordinary equity holders of the parent of approximately HK\$2,277,000 and 1,113,016,388 ordinary shares, which was the weighted average of 1,106,062,040 ordinary shares in issue during the year and the weighted average of 6,954,348 ordinary shares deemed to have been issued at no consideration on the deemed exercise of all outstanding share options during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2009 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

## 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 end of the reporting period, based on the invoice date and net of provisions, is as follows:

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Within 6 months	653,837	401,537
7 to 12 months	43,248	15,853
13 to 24 months	25,515	21,884
	<u>722,600</u>	<u>439,274</u>

Included in the Group's trade and bills receivables are amounts due from related companies of approximately HK\$149,186,000 (31 December 2009: HK\$75,092,000), 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 end of the reporting period, based on the invoice date, is as follows:

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Within 6 months	1,069,779	909,882
Over 6 months	5,626	12,823
	<u>1,075,405</u>	<u>922,705</u>

## **INTERIM DIVIDEND**

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Overall Performance**

The Group reported a profit attributable to owners of the parent for the six months ended 30 June 2010 of HK\$2.3 million (six months ended 30 June 2009: HK\$17.4 million). The Group's revenue for the current interim period has increased by 15.5% to HK\$2,090.5 million (six months ended 30 June 2009: HK\$1,810.0 million). The Group's gross profit has decreased by 5.2% to HK\$91.6 million (six months ended 30 June 2009: HK\$96.5 million) while the gross profit margin has decreased from 5.3% for the six months ended 30 June 2009 to 4.4% in the current interim period.

Though revenue has recorded a moderate 15.5% growth in the current interim period, total selling and distribution costs and administrative expenses for the current interim period has increased by 8.9% compared to the six months ended 30 June 2009.

The decrease in the Group's consolidated profit for the current interim period attributable to owners of the parent was mainly due to the net results of:

- a. a decrease in the gross profit of the distribution of information products business by 5.2% to HK\$91.6 million (six months ended 30 June 2009: HK\$96.5 million);
- b. an increase in total selling and distribution costs and administrative expenses by 8.9% to HK\$86.3 million (six months ended 30 June 2009: HK\$79.2 million);
- c. an increase in the share of losses of associates to approximately HK\$0.6 million (six months ended 30 June 2009: profits of HK\$6.4 million) as a results of intense competition in the distribution of mobile phones and data products in Hong Kong; and
- d. a decrease in other operating expenses, net by 62.6% to HK\$3.4 million (six months ended 30 June 2009: HK\$9.0 million) due to the decline in impairment of trade receivables.

Basic earnings per share attributable to equity holders of the parent for the current interim period was HK0.21 cents (six months ended 30 June 2009: HK1.57 cents).



## Operating Review and Prospects

### *Distribution of information products (“Distribution Business”)*

The Group’s principal operating activity during the current interim period is the distribution of information products business. The Distribution Business recorded a turnover of HK\$2,090.5 million representing an increase of 15.5% as compared to last interim period. However, gross profit for the Distribution Business has decreased by 5.2% to HK\$91.6 million for the current interim period (six months ended 30 June 2009: HK\$96.5 million), and gross profit margin has decreased slightly to 4.4% for the current interim period as compared to 5.3% in the last interim period as a results of increase in competition for distribution of information products in the PRC market and increase in stock provision which is included in cost of sales.

The Distribution Business is 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, LifeSize, CommScope, Barco, Epson, InfoPrint and Microsoft.

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. The Group’s principal subsidiary, Beijing Founder Century Information Systems Co., Ltd. (“PRC Century”), obtained the special honours of 2009 distributors best growth awards (2009年度分銷商獎–最佳成長獎) by CommScope in May 2010 and H3C excellent general agency awards (H3C優秀總代理獎) by H3C in March 2010. In addition, Simens authorised PRC Century as the sole distributor of HiPath1100 in the PRC (HiPath1100全國總包銷) in the strategic cooperation briefing held on 29 June 2010. This product provides the solutions for information transfer process which can increase the efficiency and minimise the cost of work in medium to small enterprises. The cooperation with systems integration services providers enables the Group to provide to the customers a more comprehensive solution.

To maintain its growth and profitability of the Distribution Business, the management continued to closely monitor the profitability and performance of each product line. More resources were put on exploring new products and new product lines which generated higher returns. In addition, the increased marketing and selling effort for aligning with the Group’s objectives of keeping a growth in turnover leads to an increase in total selling and distribution costs and administrative expenses by 8.9% to HK\$86.3 million during the current interim period (six months ended 30 June 2009: HK\$79.2 million). However, with the strict control on expenses imposed by our management, the total selling and distribution costs and administrative expenses as a percentage to turnover has decreased to 4.1% for the current interim period as compared with 4.4% in the last interim period.

To maintain continued expansion in operation, the Group focus on the current assets management. The Group’s trade and bills receivables and inventory turnover periods have increased slightly from the six months ended 30 June 2009’s 44.8 days and 15.9 days to the current interim period’s 50.0 days and 18.5 days respectively. The working capital ratio for the Group as at 30 June 2010 was 1.20 (31 December 2009: 1.24).

## **Prospects**

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 minimise market risk. The Group will focus on the distribution of information products with higher margin and exploring the more profitable value-added service business. Moreover, the management will also place stronger emphasis on operating cash flow, stringent control on working capital such as trade receivable and payables and inventory and cost management. The Group will continue to look for alliance with other international information products suppliers and investment opportunities.

## **Employee**

The Group has developed its human resources policies and procedures based on performance and merits. The Group ensures that the pay level of its employees are competitive and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus systems. The Group provides on-the-job training to its employees in addition to retirement benefit schemes and medical insurance.

The Group operates share option schemes for the purpose of providing incentives and rewards to eligible directors and employees of the Group who contribute to the success of the Group's operations. The Group had not granted any share options to its eligible directors and employees during the current interim period.

The Group has approximately 737 employees as at 30 June 2010.

## **Financial Review**

### ***Liquidity, financial resources and capital commitments***

During the current interim 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 2010, the Group had approximately HK\$97.9 million interest-bearing bank borrowings (31 December 2009: HK\$26.9 million), of which approximately HK\$63.2 million (31 December 2009: HK\$26.9 million) were fixed interest bearing and HK\$34.7 million (31 December 2009: Nil) were floating interest bearing. Bank borrowings are denominated in Renminbi ("RMB") and United States Dollars ("U.S. dollars") and repayable within one year. The Group's banking facilities were secured by corporate guarantees given by the Company and Peking University Founder Group Company Limited, the substantial shareholder of the Company.

At 30 June 2010, the Group recorded total assets of approximately HK\$1,682.6 million (31 December 2009: HK\$1,450.7 million) which were financed by liabilities of approximately HK\$1,358.7 million (31 December 2009: HK\$1,130.2 million) and equity of approximately HK\$323.9 million (31 December 2009: HK\$320.5 million). The Group's net asset value per share as at 30 June 2010 was maintained at HK\$0.29 (31 December 2009: HK\$0.29).

The Group had total cash and bank balances of approximately HK\$509.3 million as at 30 June 2010 (31 December 2009: HK\$597.1 million). After deducting the Group's bank borrowings, the Group recorded net cash and bank balances of approximately HK\$411.4 million as at 30 June 2010 (31 December 2009: HK\$570.2 million). The Group's borrowings, which are subject to little seasonality, consist of mainly short term bank loans and trust receipt loans. As at 30 June 2010, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders' equity, was 0.30 (31 December 2009: 0.08) while the Group's working capital ratio was 1.20 (31 December 2009: 1.24).

At 30 June 2010, 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 ("HKD"), RMB and U.S. dollars. Surplus cash is generally placed in short term deposits denominated in HKD, RMB and U.S. dollars.

### ***Exposure to fluctuations in exchange rates and related hedges***

The Group operates mainly in Hong Kong and Mainland China. For the operations in Hong Kong, most of the transactions are denominated in HKD and U.S. dollars. The exchange rate of U.S. dollars against HKD is relatively stable and the related currency exchange risk is considered minimal. For the operations in Mainland China, most of the transactions are denominated in RMB. Given the appreciation of RMB against HKD during the period under review, no financial instrument was used for hedging purposes. It is expected that the appreciation of RMB would have a favourable impact on the Group.

### ***Material acquisitions and disposals of subsidiaries and associates***

The Group had no acquisition or disposals of subsidiaries and associates for the six months ended 30 June 2010.

### ***Charges on assets***

As at 30 June 2010, bank deposits of approximately HK\$223.0 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 2010 (31 December 2009: Nil).

## **PURCHASE, REDEMPTION OR 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 2010, complied with the code provisions of the Code of Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

## **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 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 the six months ended 30 June 2010, including the accounting principles adopted by the Group, with the Company's management.

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

Hong Kong  
27 August 2010

*As at the date of this announcement, the Board 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*