



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

(Incorporated in Bermuda with limited liability)

Stock Code: 00618

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Corporate Information

BOARD OF DIRECTORS

Executive directors

Ms Yu Li (*Chairwoman*)
 Mr Fang Hao (*President*)
 Mr Zhou Bo Qin
 Mr Zhang Zhao Dong
 Mr Xie Ke Hai
 Mr Zheng Fu Shuang

Independent non-executive directors

Mr Li Fat Chung
 Ms Wong Lam Kit Yee
 Ms Cao Qian

COMMITTEES

Audit Committee

Mr Li Fat Chung (*Chairman*)
 Ms Wong Lam Kit Yee
 Ms Cao Qian

Remuneration Committee

Mr Li Fat Chung (*Chairman*)
 Ms Yu Li
 Ms Wong Lam Kit Yee

Nomination Committee

Ms Yu Li (*Chairwoman*)
 Ms Wong Lam Kit Yee
 Ms Cao Qian

COMPANY SECRETARY

Ms Tang Yuk Bo, Yvonne

AUTHORISED REPRESENTATIVES

Ms Yu Li
 Mr Fang Hao

AUDITORS

Ernst & Young
 Certified Public Accountants

LEGAL ADVISERS

Jun He Law Offices
 DLA Piper Hong Kong

PRINCIPAL BANKERS

Bank of Beijing
 China Everbright Bank
 China Merchants Bank
 DBS Bank (Hong Kong) Limited
 Hang Seng Bank Limited
 Industrial and Commercial Bank of China (Asia) Limited

REGISTERED OFFICE

Canon's Court
 22 Victoria Street
 Hamilton HM12
 Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1408, 14th Floor
 Cable TV Tower
 9 Hoi Shing Road
 Tsuen Wan
 New Territories
 Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

Principal registrars

Butterfield Fulcrum Group (Bermuda) Limited
 Rosebank Centre
 11 Bermudiana Road
 Pembroke HMO8
 Bermuda

Hong Kong branch share registrars and transfer office

Tricor Tengis Limited
 Level 22, Hopewell Centre
 183 Queen's Road East
 Hong Kong

LISTING INFORMATION

Main board of The Stock Exchange of Hong Kong Limited
 Stock code: 00618
 Board Lot: 2,000 shares

COMPANY WEBSITES

www.irasia.com/listco/hk/ecfounder

INTERIM RESULTS

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 2013, together with the comparative figures for the corresponding period in 2012. 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 2013

		For the six months ended 30 June	
	Notes	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
REVENUE		1,145,780	1,274,779
Cost of sales		<u>(1,066,742)</u>	<u>(1,208,091)</u>
Gross profit		79,038	66,688
Other income and gains	3	131,620	5,675
Selling and distribution expenses		(57,156)	(64,029)
Administrative expenses		(30,560)	(23,326)
Other operating (expenses)/income, net		(29,013)	567
Finance costs	4	(26,256)	(19,854)
Share of profits and losses of associates		<u>(2,127)</u>	<u>(171)</u>
PROFIT/(LOSS) BEFORE TAX	5	65,546	(34,450)
Income tax expense	6	<u>(3,215)</u>	<u>(177)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>62,331</u>	<u>(34,627)</u>
Attributable to:			
Owners of the parent		72,353	(34,627)
Non-controlling interests		<u>(10,022)</u>	<u>-</u>
		<u>62,331</u>	<u>(34,627)</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic		<u>HK4.44 cents</u>	<u>HK(3.13) cents</u>
Diluted		<u>HK2.88 cents</u>	<u>HK(3.13) cents</u>

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

	For the six months ended	
	30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	62,331	(34,627)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	<u>14,672</u>	<u>(5,532)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>14,672</u>	<u>(5,532)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>77,003</u>	<u>(40,159)</u>
Attributable to:		
Owners of the parent	82,010	(40,159)
Non-controlling interests	<u>(5,007)</u>	<u>-</u>
	<u>77,003</u>	<u>(40,159)</u>

Condensed Consolidated Statement of Financial Position

30 June 2013

	<i>Notes</i>	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		9,299	7,849
Investment properties		205,400	–
Prepaid land lease payments		11,197	–
Goodwill		2,892	2,892
Other intangible assets		19	–
Investments in associates		<u>32,863</u>	<u>34,990</u>
Total non-current assets		<u>261,670</u>	<u>45,731</u>
CURRENT ASSETS			
Properties under development		1,857,437	–
Inventories		193,774	186,578
Trade and bills receivables	9	620,617	633,704
Prepayments, deposits and other receivables		269,310	80,390
Taxes recoverable		25,087	–
Pledged deposits	10	133,762	106,320
Cash and cash equivalents		<u>392,365</u>	<u>291,994</u>
Total current assets		<u>3,492,352</u>	<u>1,298,986</u>
CURRENT LIABILITIES			
Trade and bills payables	11	659,026	583,636
Other payables and accruals		906,676	170,011
Interest-bearing bank and other borrowings		705,136	262,695
Tax payable		<u>1,271</u>	–
Total current liabilities		<u>2,272,109</u>	<u>1,016,342</u>
NET CURRENT ASSETS		<u>1,220,243</u>	<u>282,644</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,481,913</u>	<u>328,375</u>

Condensed Consolidated Statement of Financial Position (Continued)

30 June 2013

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>1,481,913</u>	<u>328,375</u>
NON-CURRENT LIABILITIES		
Long term payable	5,400	8,400
Deferred tax liabilities	<u>218,767</u>	<u>-</u>
Total non-current liabilities	<u>224,167</u>	<u>8,400</u>
Net assets	<u>1,257,746</u>	<u>319,975</u>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	163,397	110,606
Reserves	<u>740,344</u>	<u>209,369</u>
	903,741	319,975
Non-controlling interests	<u>354,005</u>	<u>-</u>
Total equity	<u>1,257,746</u>	<u>319,975</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Attributable to owners of the parent											
	Note	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Employee share-based compensation reserve (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	General reserve (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At: 1 January 2013		110,606	156,019	3,208	520,156	42,866	10,558	-	(523,438)	319,975	-	319,975
Profit/(loss) for the period		-	-	-	-	-	-	-	72,353	72,353	(10,022)	62,331
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations		-	-	-	-	9,857	-	-	-	9,657	5,015	14,672
Total comprehensive income/(loss) for the period		-	-	-	-	9,857	-	-	72,353	82,010	(5,007)	77,003
Acquisition of subsidiaries	12	52,791	179,488	-	-	-	-	205,088	-	437,367	355,247	792,614
Issue of convertible bonds classified as equity		-	-	-	-	-	-	62,000	-	62,000	-	62,000
Contributions from a non-controlling shareholder		-	-	-	-	-	-	-	-	-	3,765	3,765
Equity-settled share option arrangements		-	-	2,389	-	-	-	-	-	2,389	-	2,389
At: 30 June 2013		163,397	335,507*	5,597*	520,156*	52,523*	10,558*	267,088*	(451,085)*	903,741	354,005	1,257,746
At: 1 January 2012		110,606	156,019	256	520,156	40,301	10,558	-	(498,685)	339,211	-	339,211
Loss for the period		-	-	-	-	-	-	-	(34,627)	(34,627)	-	(34,627)
Other comprehensive loss for the period:												
Exchange differences on translation of foreign operations		-	-	-	-	(5,532)	-	-	-	(5,532)	-	(5,532)
Total comprehensive loss for the period		-	-	-	-	(5,532)	-	-	(34,627)	(40,159)	-	(40,159)
Equity-settled share option arrangements		-	-	1,475	-	-	-	-	-	1,475	-	1,475
At: 30 June 2012		110,606	156,019	1,731	520,156	34,769	10,558	-	(533,312)	300,527	-	300,527

* These reserve accounts comprise the consolidated reserves of HK\$740,344,000 (31 December 2012: HK\$209,369,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	For the six months ended	
	30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(298,897)	(96,844)
NET CASH FLOWS FROM INVESTING ACTIVITIES	270,672	254,203
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	125,297	(361,597)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	97,072	(204,238)
Cash and cash equivalents at beginning of period	279,544	341,001
Effect of foreign exchange rate changes, net	3,109	(2,704)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	379,725	134,059
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	284,575	134,059
Non-pledged time deposits	107,790	106,349
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	392,365	240,408
Non-pledged time deposits with original maturity of over three months when acquired	(12,640)	(106,349)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	379,725	134,059

Notes to Condensed Consolidated Interim Financial Statements

30 June 2013

1. ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2013 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 2012, 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:

HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i>
HKFRS 7 Amendments	<i>Amendments to HKFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i>
HKFRS 10	<i>Consolidated Financial Statements</i>
HKFRS 11	<i>Joint Arrangements</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	<i>Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – Transition Guidance</i>
HKFRS 13	<i>Fair Value Measurement</i>
HKAS 1 Amendments	<i>Amendments to HKAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i>
HKAS 19 (2011)	<i>Employee Benefits</i>
HKAS 27 (2011)	<i>Separate Financial Statements</i>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i>
HK(IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
<i>Annual Improvements 2009-2011 Cycle</i>	<i>Amendments to a number of HKFRSs issued in June 2012</i>

The adoption of the above HKFRSs has had no significant impact on the accounting policies of the Group and the methods of computation in the Group’s condensed consolidated interim financial statements.

Notes to Condensed Consolidated Interim Financial Statements

30 June 2013

2. OPERATING SEGMENT INFORMATION

For management purpose, the Group is organised into business units based on their products and services. For the six months ended 30 June 2012, no operating segment analysis is presented as the Group had only one operating segment which is the distribution of information products segment. For the six months ended 30 June 2013, the Group has three reportable operating segments as follows:

- | | | |
|-----|---------------------------------------|-------------------------------|
| (a) | Distribution of information products: | Sales of information products |
| (b) | Property development: | Sales of properties |
| (c) | Property investment: | Leasing of properties |

	Distribution of information products (Unaudited) HK\$'000	Property development (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue:				
Sales to external customers	1,121,814	–	23,966	1,145,780
Segment results	(21,989)	(15,708)	8,956	(28,741)
<i>Reconciliation:</i>				
Interest income				2,975
Gain on bargain purchase				128,568
Foreign exchange differences, net				(921)
Corporate and unallocated expenses				(7,952)
Finance costs				(26,256)
Share of profits and losses of associates				(2,127)
Profit before tax				<u>65,546</u>

Geographic information

The Group's revenue from external customers is derived substantially from its operations in the People's Republic of China (the "PRC"), and the non-current assets of the Group are substantially located in the PRC.

Information about a major customer

During the period, there was no external customer accounted for 10% or more of the Group's total revenue (six months ended 30 June 2012: Nil).

Notes to Condensed Consolidated Interim Financial Statements

30 June 2013

3. OTHER INCOME AND GAINS

	For the six months ended	
	30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Other income		
Bank interest income	2,059	1,757
Other interest income	916	3,916
Others	77	2
	<u>3,052</u>	<u>5,675</u>
Gains		
Gain on bargain purchase (note 12)	128,568	-
	<u>131,620</u>	<u>5,675</u>

4. FINANCE COSTS

	For the six months ended	
	30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans	8,961	10,390
Interest on loans from subsidiaries of 北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder")	18,100	2,293
Interest on discounted bills	9,871	7,171
	<u>36,932</u>	<u>19,854</u>
Total interest expenses	36,932	19,854
Less: Interest capitalised	(10,676)	-
	<u>26,256</u>	<u>19,854</u>

* For identification purpose only

Notes to Condensed Consolidated Interim Financial Statements

30 June 2013

5. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended	
	30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	2,262	1,800
Impairment of trade receivables	17,813	8,267
Provision for obsolete inventories	4,646	8,537
Write-back of trade and other payables	(1,271)	(8,863)
Foreign exchange differences, net	921	(90)
	<u>921</u>	<u>(90)</u>

6. INCOME TAX

	For the six months ended	
	30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Group:		
Current – PRC		
Charge for the period	1,419	177
Underprovision in prior periods	929	–
	<u>2,348</u>	<u>177</u>
Deferred	867	–
	<u>3,215</u>	<u>177</u>
Total tax charge for the period	<u>3,215</u>	<u>177</u>

No Hong Kong profits tax has been provided as there were no assessable profits arising in Hong Kong during the period (six months ended 30 June 2012: Nil).

Under the PRC income tax laws, enterprises are subject to corporate income tax at a rate of 25%.

The share of tax attributable to associates amounting to approximately HK\$493,000 (six months ended 30 June 2012: HK\$404,000) is included in "Share of profits and losses of associates" in the condensed consolidated income statement.

Notes to Condensed Consolidated Interim Financial Statements

30 June 2013

7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amount for the six months ended 30 June 2013 is based on the profit for the period attributable to ordinary equity holders of the parent of approximately HK\$72,353,000 (six months ended 30 June 2012: loss of HK\$34,627,000), and the weighted average number of ordinary shares of 1,631,052,403 (six months ended 30 June 2012: 1,106,062,040) in issue during the period.

The calculation of diluted earnings per share amount for the period is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share for the six months ended 30 June 2013 are based on:

Earnings

	For the six months ended 30 June 2013 (Unaudited) HK\$'000
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>72,353</u>

Notes to Condensed Consolidated Interim Financial Statements

30 June 2013

7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(continued)*

Number of shares

	For the six months ended 30 June 2013 (Unaudited)
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	1,631,052,403
Effect of dilution – weighted average number of ordinary shares:	
Share options	19,429,077
Convertible bonds classified as equity	865,116,279
	<u>2,515,597,759</u>

No adjustment has been made to the basic loss per share amount presented for the period ended 30 June 2012 in respect of a dilution as the impact of the options outstanding had an anti-dilutive effect on the basic loss per share amount presented.

8. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

Notes to Condensed Consolidated Interim Financial Statements

30 June 2013

9. 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. The Group does not hold any collateral or other credit enhancements over its trade and bills receivables balances. Trade and bills receivables are non-interest-bearing.

An aged analysis of the Group's trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Within 6 months	527,142	585,269
7 to 12 months	61,265	22,552
13 to 24 months	32,210	25,883
	<u>620,617</u>	<u>633,704</u>

Included in the Group's trade and bills receivables are amounts due from subsidiaries of Peking Founder, a substantial shareholder of the Company, of approximately HK\$41,145,000 (31 December 2012: HK\$31,312,000), and a subsidiary of Founder Holdings Limited ("FHL"), in which a 32.49% equity interest was held by Peking Founder, of approximately HK\$187,000 (31 December 2012: HK\$873,000), which are repayable on similar credit terms to those offered to the major customers of the Group.

Notes to Condensed Consolidated Interim Financial Statements

30 June 2013

10. PLEDGED DEPOSITS

The Group's bank deposits were pledged to banks to secure the banking facilities granted to the Group, as guarantees deposits for construction of the relevant properties and as guarantees deposits for certain mortgage loans granted by banks to purchasers of the Group's properties. The pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the pledged deposits approximate to their fair values.

11. TRADE AND BILLS PAYABLES

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Trade payables	202,743	253,711
Bills payable	<u>456,283</u>	<u>329,925</u>
	<u>659,026</u>	<u>583,636</u>

An aged analysis of the Group's trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Within 6 months	623,092	557,478
Over 6 months	<u>35,934</u>	<u>26,158</u>
	<u>659,026</u>	<u>583,636</u>

Included in the Group's trade and bills payables are amounts due to subsidiaries of Peking Founder of approximately HK\$1,081,000 (31 December 2012: Nil), and subsidiaries of FHL of approximately HK\$10,697,000 (31 December 2012: HK\$14,725,000), which are repayable on similar credit terms to those offered by the related companies to their major customers.

The trade payables are non-interest-bearing and are normally settled on terms of 45 to 180 days.

Notes to Condensed Consolidated Interim Financial Statements

30 June 2013

12. BUSINESS COMBINATIONS

During the six months ended 30 June 2013, the Group acquired 100% equity interests in Hong Kong Tianranju Holdings Limited ("Tianranju") and Hong Kong Tianhe Holdings Limited ("Tianhe") from Founder Information (Hong Kong) Limited ("Founder Information"), the substantial shareholder of the Company, which would be satisfied by the issue of the consideration shares of the Company as to approximately HK\$232,279,000 and the consideration convertible bonds of the Company. The convertible bonds were interest-free and could be converted by the bondholders at a conversion price of HK\$0.43 per ordinary share of the Company during the conversion period from 2 March 2013 to 1 March 2018. Upon conversion in full of the convertible bonds, an aggregate of 720,930,232 ordinary shares of the Company will be issued by the Company. The number of shares into which the convertible bonds could be converted was fixed at the issuance date and the convertible bonds were interest-free and not redeemable in cash. The convertible bonds were classified entirely as equity of the Company and their fair value of HK\$205,088,000 at the issuance date was recognised in the other reserve in the equity.

Tianranju and its subsidiaries ("Tianranju Group") and Tianhe and its subsidiaries ("Tianhe Group") are principally engaged in property development and property investment.

Notes to Condensed Consolidated Interim Financial Statements

30 June 2013

12. BUSINESS COMBINATIONS *(continued)*

The fair values of the identifiable assets and liabilities of Tianranju Group and Tianhe Group as at the date of acquisition were as follows:

	Fair value recognised on acquisition (Unaudited) HK\$'000
Property, plant and equipment	4,137
Properties under development	1,501,909
Investment properties	202,313
Prepaid land lease payments	11,205
Trade receivables	50
Restricted cash	5,511
Cash and cash equivalents	303,738
Prepayments, deposits and other receivables	36,436
Trade payables	(70,395)
Other payables and accruals	(547,854)
Interest-bearing bank and other borrowings	(311,250)
Deferred tax liabilities	(214,618)
	<hr/>
Total identifiable net assets at fair value	921,182
Non-controlling interests	(355,247)
Gain on bargain purchase (note 3)	(128,568)
	<hr/>
	437,367
	<hr/>
Satisfied by:	
Issue of shares of the Company	232,279
Issue of convertible bonds of the Company	205,088
	<hr/>
	437,367
	<hr/>

Notes to Condensed Consolidated Interim Financial Statements

30 June 2013

12. BUSINESS COMBINATIONS *(continued)*

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	For the six months ended 30 June 2013 (Unaudited) HK\$'000
Cash consideration	–
Cash and cash equivalents acquired	<u>303,738</u>
Net inflow of cash and cash equivalents included in cash flows from investing activities	<u>303,738</u>

Since the acquisition date on 2 January 2013 to 30 June 2013, Tianranju Group recorded revenue and net loss of approximately HK\$23,966,000 and HK\$13,038,000, respectively, and Tianhe Group did not generate any revenue and recorded a net loss of approximately HK\$3,930,000.

13. RELATED PARTY TRANSACTIONS

(I) Transactions with related parties

In addition to the related party transactions and balances disclosed elsewhere in these condensed consolidated interim financial statements, the Group had the following material transactions with related parties during the period:

- (a) On 1 November 2011, the Company entered into a master agreement with Peking Founder for the sale of information products to Peking Founder and its subsidiaries (collectively "Peking Founder Group") for the three years ending 31 December 2014.

During the period, information products of approximately HK\$16,195,000 (six months ended 30 June 2012: HK\$31,494,000) were sold to Peking Founder Group. The directors consider that the sales of products were made according to published prices and conditions similar to those offered to other customers of the Group.

Notes to Condensed Consolidated Interim Financial Statements

30 June 2013

13. RELATED PARTY TRANSACTIONS *(continued)*

(I) Transactions with related parties (continued)

- (b) On 29 August 2011, the Company entered into a master agreement with FHL to govern the sale of information products to FHL and its subsidiaries (collectively "Founder Group") for a term of three years from 1 January 2011 to 31 December 2013.

During the period, information products of approximately HK\$1,283,000 (six months ended 30 June 2012: HK\$603,000) were sold to Founder Group. The directors consider that the sales of products were made according to published prices and conditions similar to those offered to other customers of the Group.

- (c) On 29 August 2011, the Company entered into a HP Master Agreement with FHL to govern the purchase of HP products from Founder Group for a term of three years from 1 January 2011 to 31 December 2013.

During the period, HP products of approximately HK\$45,777,000 (six months ended 30 June 2012: HK\$87,606,000) were purchased from Founder Group and commission fees of approximately HK\$136,000 (six months ended 30 June 2012: HK\$255,000) were paid to Founder Group. The directors consider that the purchases of HP products and commission fees were made in accordance with the HP Master Agreement.

- (d) On 19 November 2010, the Company entered into a master agreement with Peking Founder for the purchase of information products from Peking Founder Group for the three years ended 31 December 2012.

On 7 December 2012, the Company and Peking Founder revised the annual caps for the year ended 31 December 2012. On the same date, the Company entered into a master agreement with Peking Founder for the purchase of information products from Peking Founder Group for a term of three years from 1 January 2013 to 31 December 2015.

During the period, purchase of information products of approximately HK\$1,611,000 (six months ended 30 June 2012: HK\$977,000) from Peking Founder Group were made by the Group. The directors consider that the purchase of information products from Peking Founder Group were made in accordance with the terms of the master agreement.

Notes to Condensed Consolidated Interim Financial Statements

30 June 2013

13. RELATED PARTY TRANSACTIONS *(continued)*

(I) Transactions with related parties (continued)

- (e) On 7 December 2012, the Company entered into a master agreement with FHL to govern the purchase of software products developed by Founder Group, the systems integration products and the related services for the three years ending 31 December 2014.

During the period, the Group did not purchase any software product or systems integration product from Founder Group.

- (f) On 1 November 2011, the Company entered into an entrusted loan master agreement with Peking Founder pursuant to which the Group would provide short term loans through a financial institution to Peking Founder Group for the three years ending 31 December 2014.

On 4 July 2012, the Group provided a six-month short term loan of approximately HK\$49,800,000 to a subsidiary of Peking Founder and the related interest of approximately HK\$28,000 was earned by the Group during the period ended 30 June 2013. The loan is unsecured and bears an interest at the prevailing benchmark Renminbi lending rate for loan period of six months offered by the PBOC plus 15% of such rate. The entrusted loan and related interest receivable were fully settled by that subsidiary of Peking Founder during the period ended 30 June 2013.

On 15 April 2013, the Group provided a one-year short term loan of approximately HK\$63,200,000 to a subsidiary of Peking Founder and the related interest of approximately HK\$1,035,000 was earned by the Group during the period ended 30 June 2013. The loan is unsecured and bears an interest at an interest rate of 7.8% per annum.

The entrusted loan of HK\$63,200,000 and related interest of HK\$125,000 receivable from the subsidiary of Peking Founder remained undue and were included in prepayments, deposits and other receivables in the condensed consolidated statement of financial position as at 30 June 2013.

Notes to Condensed Consolidated Interim Financial Statements

30 June 2013

13. RELATED PARTY TRANSACTIONS *(continued)*

(I) Transactions with related parties (continued)

- (g) On 13 January 2011, the Company, PKU Founder Group Finance Co., Ltd. ("Founder Finance") and Peking Founder entered into a financial service agreement, pursuant to which Founder Finance would provide the Group with (i) deposit service; (ii) loan services; and (iii) miscellaneous financial service subject to the terms and conditions provided therein for the three years ending 31 December 2013. Peking Founder has provided the guarantee to the Company in the financial services agreement.

As at 30 June 2013, the Group made deposits of approximately HK\$95,151,000 (31 December 2012: HK\$50,329,000) in Founder Finance and the related interest of approximately HK\$443,000 (six months ended 30 June 2012: HK\$886,000) was earned by Group during the six months ended 30 June 2013. The interest rates on these deposits offered by Founder Finance were the prevailing interest rates offered by the PBOC.

- (h) On 28 August 2012, the Company entered into a master lease agreement with Peking Founder, pursuant to which the Company agrees to procure one of its subsidiaries to lease certain commercial premises at Founder International Building to Peking Founder Group for the three years ending 31 December 2014. During the period, a subsidiary of the Company engaged a subsidiary of 北大資源集團有限公司 (Peking University Resource Group Co., Ltd.*) ("PKU Resource"), a fellow subsidiary of Peking Founder, to collect rental income from independent tenants on its behalf, until those tenants enter into lease agreements with the subsidiary of the Company. No management fee was charged during the period.

During the period, rental income of approximately HK\$9,902,000 were received from Peking Founder Group. The related rental of HK\$7,092,000 receivable from Peking Founder Group remained undue and were included in trade and bills receivables in the condensed consolidated statement of financial position as at 30 June 2013.

- (i) On 6 May 2012, 昆山高科電子藝術創意產業發展有限公司 (Kunshan Hi-Tech Electronic Arts Creative Industry Development Co., Ltd.*) ("Kunshan Hi-Tech"), an indirect holding subsidiary of the Company, entered into a loan agreement (the "Loan Agreement") with PKU Resource, pursuant to which PKU Resource would provide short term loans through Founder Finance to Kunshan Hi-Tech for one year.

Notes to Condensed Consolidated Interim Financial Statements

30 June 2013

13. RELATED PARTY TRANSACTIONS *(continued)*

(I) Transactions with related parties (continued)

(i) *(continued)*

On 5 July 2012, Kunshan Hi-Tech and Founder Finance entered into an entrusted loan agreement to give effect to the Loan Agreement. Pursuant to which PKU Resource would provide a one-year short term loan of approximately HK\$311,250,000 to Kunshan Hi-Tech. The loan was secured by the properties under development of Kunshan Hi-Tech with a carrying amount of approximately HK\$863,164,000 as at 30 June 2013 and bears an interest at an interest rate of 12.5% per annum and to be paid semi-annually. The interest expense of HK\$11,322,000 was charged during the period ended 30 June 2013. The loan was early settled in full on 12 April 2013.

- (j) On 7 May 2013, Kunshan Hi-Tech entered into a new entrusted loan master agreement. Pursuant to which PKU Resource would provide short term loans through a financial institution to Kunshan Hi-Tech for one year.

On 7 May 2013, PKU Resource provided a one-year short term unsecured loan of approximately HK\$316,000,000 to Kunshan Hi-Tech and bears an interest at an interest rate of 12.5% per annum and to be paid quarterly. On the same date, PKU Resource provided another one-year short term loan of approximately HK\$50,560,000 to Kunshan Hi-Tech. The loan was unsecured and bears an interest at an interest rate of 11.5% per annum and to be paid quarterly. The related interest expenses of two loans of HK\$6,778,000 in aggregate were charged during the period ended 30 June 2013.

The loan of HK\$366,560,000 and related interest of HK\$6,778,000 payable to PKU Resource remained unpaid and were included in interest-bearing bank and other borrowings, and other payables and accruals respectively, in the condensed consolidated statement of financial position as at 30 June 2013.

- (k) As at 30 June 2013, guarantees were given by Peking Founder to banks in connection with banking facilities granted to the Group of approximately HK\$984,257,000 (31 December 2012: HK\$1,002,430,000) which were utilised to the extent of approximately HK\$801,729,000 (31 December 2012: HK\$568,149,000).

The related party transactions in respect of items (a) to (i) above for the current interim period also constitute continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

* For identification purpose only

Notes to Condensed Consolidated Interim Financial Statements

30 June 2013

13. RELATED PARTY TRANSACTIONS *(continued)*

(II) Outstanding balances with related parties

- (a) The balances due to subsidiaries of FHL included in other payables and accruals as at 30 June 2013 were approximately HK\$1,278,000 (31 December 2012: HK\$4,207,000). The balances are unsecured, interest-free and have no fixed terms of repayment.
- (b) Except for the entrusted loan and related interest receivables due from a subsidiary of Peking Founder disclosed in note 13(l)(f) to the condensed consolidated interim financial statements, other balances due from Peking Founder Group included in prepayments, deposits and other receivables were approximately HK\$16,424,000 (31 December 2012: HK\$2,765,000). The balances are unsecured, interest-free and have no fixed terms of repayment.
- (c) Except for the entrusted loan and related interest payables due to PKU Resource disclosed in note 13(l)(j) to the condensed consolidated interim financial statements, other balances due to Peking Founder Group included in other payables and accruals in the condensed consolidated statement of financial position as at 30 June 2013 were approximately HK\$201,506,000 (31 December 2012: HK\$65,314,000). The balances are unsecured, interest-free and have no fixed terms of repayment.
- (d) The balance due to Peking Founder Group included in long term payable as at 30 June 2013 was approximately HK\$5,400,000 (31 December 2012: HK\$8,400,000). The balance is unsecured, interest-free and not repayable within one year.
- (e) Details of the Group's trade balances with its related companies as at the end of the reporting period are included in notes 9 and 11 to the condensed consolidated interim financial statements.

Notes to Condensed Consolidated Interim Financial Statements

30 June 2013

13. RELATED PARTY TRANSACTIONS *(continued)*

(III) Compensation of key management personnel of the Group

In the opinion of the directors, the directors of the Company represented the key management personnel of the Group. Compensation paid to directors during the period is as follows:

	For the six months ended	
	30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short term employee benefits	1,315	646
Equity-settled share option expense	2,389	1,475
Post-employment benefits	<u>8</u>	<u>6</u>
Total compensation paid to key management personnel	<u>3,712</u>	<u>2,127</u>

Notes to Condensed Consolidated Interim Financial Statements

30 June 2013

14. CONTINGENT LIABILITIES

As at 30 June 2013, the Group had contingent liabilities relating to guarantees in respect of mortgages granted by certain banks to certain purchasers of the Group's properties amounting to approximately HK\$156,013,000 (31 December 2012: Nil). This represented the guarantees in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled (but not limited to) to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which generally be available within one to two years after the purchases take possession of the relevant properties.

The fair value of the guarantees is not significant and the directors consider that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties and therefore no provision has been made for the guarantees in the condensed consolidated interim financial statements as at 30 June 2013.

15. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties or the property leased from an independent company under operating lease arrangements, with leases negotiated for terms ranging from one to five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 June 2013, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Within one year	36,141	–
In the second to fifth years, inclusive	<u>17,942</u>	<u>–</u>
	<u>54,083</u>	<u>–</u>

Notes to Condensed Consolidated Interim Financial Statements

30 June 2013

15. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At 30 June 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Within one year	36,625	5,492
In the second to fifth years, inclusive	<u>15,924</u>	<u>2,256</u>
	<u>52,549</u>	<u>7,748</u>

16. COMMITMENTS

In addition to the operating lease commitments detailed in note 15(b) above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Contracted, but not provided for:		
Properties under development	<u>317,206</u>	<u>–</u>
Authorised, but not contracted for:		
Properties under development	<u>460,172</u>	<u>–</u>

17. EVENT AFTER THE REPORTING PERIOD

On 19 August 2013, the Company entered into the placing agreement with the placing agent pursuant to which the placing agent has conditionally agreed with the Company to endeavor to place up to 320,000,000 placing shares to not less than six placees who are independent third parties at the placing price of not less than HK\$1.06. Up to the date of the approval of the condensed consolidated interim financial statements, the placing has not been completed. Further details of the transaction were set out in the announcement of the Company dated 19 August 2013.

Management Discussion and Analysis

Overall Performance

The Group reported a profit attributable to owners of the parent for the six months ended 30 June 2013 of HK\$72.4 million (six months ended 30 June 2012: loss of HK\$34.6 million). The Group's revenue for the current interim period has decreased by 10.1% to HK\$1,145.8 million (six months ended 30 June 2012: HK\$1,274.8 million). The Group's gross profit has increased by 18.5% to HK\$79.0 million (six months ended 30 June 2012: HK\$66.7 million) while the gross profit margin increased slightly from last interim period's 5.2% to current interim period's 6.9%. Total selling and distribution expenses and administrative expenses for the current interim period were maintained at HK\$87.7 million and comparable with last interim period.

The improvement in the Group's operating results was mainly due to the net results of:

- a. an increase in the gross profit of the distribution of information products business and property development and investment business by 18.5% to HK\$79.0 million (six months ended 30 June 2012: HK\$66.7 million);
- b. gain on bargain purchase arising from the acquisition of subsidiaries engaged in property development and investment business of HK\$128.6 million (six months ended 30 June 2012: Nil);
- c. an increase in other operating expenses by HK\$29.6 million to HK\$29.0 million (six months ended 30 June 2012: other operating income of HK\$0.6 million) as a result of increase in impairment of trade receivables and provision for late payment of Chinese customs duties and the fine;
- d. an increase in finance costs by 32.2% to HK\$26.3 million (six months ended 30 June 2012: HK\$19.9 million) as a result of increase in bank and other borrowings; and
- e. an increase in the share of losses of associates by HK\$1.9 million to HK\$2.1 million (six months ended 30 June 2012: HK\$0.2 million) as a result of decline in sales of mobile phones distributed in Hong Kong.

Basic and diluted earnings per share attributable to equity holders of the parent for the current interim period were HK4.44 cents (six months ended 30 June 2012: loss of HK3.13 cents) and HK2.88 cents (six months ended 30 June 2012: loss of HK3.13 cents), respectively.

Management Discussion and Analysis

Operating Review and Prospects

Real Estate Business

The Group completed the acquisition of subsidiaries engaged in the Property Development and Property Investment Business on 2 January 2013.

Property Development

The Property Development Business recorded a segment loss of HK\$15.7 million during the current interim period.

PKU Resource – Li Cheng (北大資源—理城) project is erected on two various parcels of land located on the western side of Zhangjiagang River and the southern side of Yingbin Road, Bacheng Town, Kunshan city, Jiangsu province. The total site area of the project is 288,518 sq. m. Phase 1 comprises an arts exhibition center, a creative arts workshop, low-rise apartment buildings and auxiliary facilities. It has been launched for sale now. Phase II is under planning and will have a planned gross floor area of approximately 204,000 sq. m and will comprise an electronic arts complex and auxiliary business and residential buildings. Kunshan city is located in the southeastern part of Jiangsu province, adjacent to the border with the Shanghai Municipality, and is currently regarded as one of the most economically successful county-level administrations in China. It is expected that there will be a huge growth potential for Kunsan property industry as it is located in the most vigorous region in China. The receipt of advance payment from buyers of purchases of properties led to the increase in other payables and accruals as at 30 June 2013.

Hubei residential land is composed of six adjacent vacant land parcels located in Huarong District, Ezhou City, Hubei Province, China. It has a total site area of approximately 674,597.2 sq. m. The land use terms will expire on 6 August 2073 and 20 December 2073 respectively. Ezhou city is a famous historic-cultural city and also known as “Landscape Garden City” (山水園林城), the best place for living, or “Eco-tourism City” (生態旅遊城). There are 133 lakes and 650,000 mu of water areas in the city. Therefore, it is renowned as “100-Lake City” (百湖之市) and “Land of Plenty Resources” (魚米之鄉). With the gradual establishment of Ezhou High-New Zone, we expected that the investment value of the Group’s residential land will continue to increase.

On 23 May 2013, Ezhou Jinfeng Property Development Co., Limited, an indirectly non-wholly-owned subsidiary of the Company, and Chengdu Henglongxin Real Estate Co., Ltd, an independent third party, together succeeded in the bid of the land use rights of the land of 39,630.8 sq. m in Yuelu District, Changsha. In the opinion of the Management, the demand of the property industry in China will be stable in the second half of the year. New property businesses will offer appreciation potential with a promising earnings outlook, which will be the new profit growth engine for the Group.

Management Discussion and Analysis

China's property industry will embrace ample opportunities in the second half of 2013. In the first half of the year, China's overall economy has been running smoothly. Economic growth rate slowed down but still maintained at a reasonable range in terms of major growth indicators. For the land market, growth of land supply also slackened while structural adjustment tended to accelerate. In the second quarter, the China land market index increased 17.4% quarter on quarter ("qoq") to reach a new record high. Real estate climate index rose by 29.5% qoq, indicating that the real estate sector remained a driver of economic growth. After experienced a brief adjustment in the last quarter, the real estate market re-showed signs of prosperity. China's property industry is still under various challenges. Expanding the pilot real estate tax program to more cities is an important task for the finance and tax departments this year. The State Administration of Taxation recently has issued a notice in which it expressly indicated, for the first time, its intention of studying the expansion of the scope of the individual housing property tax pilot reform.

The newly acquired land in Changsha is located in Yanghupian Zone, Yuelu District, West of Xiangjiang, Changsha City, with Xiangjiang to the east, Yuelu Mountain on the north and Dawangshan Resort, Tourism and Exhibition Centre (大王山度假旅遊會議中心) on the south. Yanghu Wetland Park (洋湖濕地公園) was built thereon, which covers an area of 6,000 mu and is the largest urban wetland park in the Central region. Located in the river landscape of Jin Jiang (靳江), the newly acquired land is included in the geographical scope of "West Changsha River Exemplary Zone" (長沙大河西先導區) established by the Changsha City Government. It is scheduled to start construction in September 2013 and to roll out for sale in March 2014. With the gradual development of ChangZhuTan City Cluster, the newly acquired residential land will continue to increase the Group's investment value.

Property Investment

The Property Investment Business recorded a turnover of HK\$24.0 million and segment profit of HK\$9.0 million during the current interim period.

Founder International Building (方正國際大廈) is an office building located in the west zone of Zhongguan Village, Haidian District, Beijing City. With its superb location, it covers an area of 5,121 sq. m with a gross floor area of 51,159.23 sq. m. Its first three floors are for supermarkets and the upper six floors are for food plazas. In Beijing, the property prices showed another round of booming in the first half of the year, further suggesting a strong rigid demand for properties in Beijing. As a well-known commercial property in Zhongguancun, Founder International Building will also be benefited from such rise in property prices and will continue to provide steady cash flow for the Group.

International Building of Wuhan (武漢國際大廈) is located at Dandong Road, Jiangnan District, Wuhan city. The property has a total gross floor area of 26,963.32 sq. m and comprises various office units on certain levels of the office complex. Its monthly rental income amounted to approximately RMB561,000. Vacancy rate further decreased to 2.58%. The legitimate owner of the land use right is Hubei Tianranju Business Management Limited (湖北天然居商業運營管理公司), a wholly-owned subsidiary of Hong Kong Tianranju Holdings Limited. Wuhan property has huge potential for economic growth in the future and may become a new economic growth point.

Management Discussion and Analysis

Distribution Business

Distribution of information products

The Distribution Business recorded a turnover of HK\$1,121.8 million representing a decrease of 12.0% as compared to last interim period (six months ended 30 June 2012: HK\$1,274.8 million). Gross profit for the Distribution Business has increased by 4.5% to HK\$69.7 million for the current interim period (six months ended 30 June 2012: HK\$66.7 million), while gross profit margin increased slightly from last interim period's 5.2% to current interim period's 6.2%. The segment results recorded a loss of HK\$22.0 million (six months ended 30 June 2012: HK\$16.2 million). The deterioration of segment results was due to increase in impairment of trade receivables and provision for late payment of Chinese customs duties and the fine.

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 product manufacturers such as HP, H3C, CommScope, Brocade, Microsoft, Samsung, Corning, Lifesize and Iomega. The decrease in turnover during the current interim period is mainly attributable to the streamline of various product lines to concentrate the effort on product lines with higher profit margin and better trading terms in view of the intense competition in the distribution market.

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. Lifesize granted the distribution rights of video conference systems products in the PRC to our Group's principal subsidiary, Beijing Founder Century Information Systems Co., Ltd.

As the business environment in the PRC is becoming more competitive and the unfavorable factors arising from the macro-control policies, the management strictly control operating costs and expenses leading to a decrease in total selling and distribution expenses and administrative expenses by 23.7% to HK\$63.6 million during the current interim period (six months ended 30 June 2012: HK\$83.4 million). 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 better trading terms and exploring the more profitable value-added service business.

In addition, the Group focuses on the current assets management. The Group's trade and bills receivables turnover periods have increased from the six months ended 30 June 2012's 85.8 days to the current interim period's 99.0 days while the inventory turnover periods have improved from the six months ended 30 June 2012's 41.6 days to the current interim period's 32.5 days, respectively. The increase in trade and bills receivables turnover period is due to increase in the proportion of sales to systems integration service providers with longer credit terms provided. The lengthening of aging of debtors led to an increase in impairment of trade receivables in accordance with the provision policy. The improvement in inventory turnover periods is mainly attributable to strict control on inventory level imposed by the management.

The current ratio for the Group as at 30 June 2013 was 1.54 (31 December 2012: 1.28).

Management Discussion and Analysis

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.

Distribution Business

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 profit 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 receivables and payables and inventory and cost management. The Group will continue to look for alliance with other international information products suppliers and investment opportunities.

Real Estate Business

In order to create more value for our shareholders, the management will consistently and closely monitor the price fluctuation of properties in the major cities over China and actively exploit opportunities to invest in the Chinese market, so as to continuously enhance the profitability and operating performance of its real estate segment.

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 scheme 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 granted share options to its eligible directors and employees during the current interim period.

The Group has approximately 611 employees as at 30 June 2013 (31 December 2012: 523). The increase in number of employees mainly arose from the acquisition of subsidiaries during the current interim period.

Management Discussion and Analysis

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 2013, the Group had approximately HK\$705.1 million interest-bearing bank and other borrowings (31 December 2012: HK\$262.7 million). Bank and other borrowings are denominated in Renminbi ("RMB") and repayable within one year. The Group's banking facilities were guaranteed by the Company and Peking University Founder Group Company Limited.

At 30 June 2013, the Group recorded total assets of approximately HK\$3,754.0 million (31 December 2012: HK\$1,344.7 million) which were financed by liabilities of approximately HK\$2,496.3 million (31 December 2012: HK\$1,024.7 million), non-controlling interests of approximately HK\$354.0 million (31 December 2012: Nil) and equity of approximately HK\$903.7 million (31 December 2012: HK\$320.0 million). The Group's net asset value per share as at 30 June 2013 was maintained at HK\$0.55 (31 December 2012: HK\$0.29). The increase in net asset value per share was due to acquisition of subsidiaries engaged in property development and investment business by way of issue of new shares and convertible bonds of the Company.

The Group had total cash and bank balances and pledged deposits of approximately HK\$526.1 million as at 30 June 2013 (31 December 2012: HK\$398.3 million). After deducting the Group's bank and other borrowings, the Group recorded net borrowing balances of approximately HK\$179.0 million as at 30 June 2013 (31 December 2012: net cash and bank balances of HK\$135.6 million). The Group's borrowings, which are subject to little seasonality, consist of mainly short term bank loans and entrusted loans. The increase in bank and other borrowings is mainly attributable to completion of acquisition of subsidiaries engaged in property development and investment business. As at 30 June 2013, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total equity attributable to owners of the parent, was 0.78 (31 December 2012: 0.82) while the Group's current ratio was 1.54 (31 December 2012: 1.28).

On 2 January 2013, pursuant to the sales and purchase and subscription agreement (the "S&P and Subscription Agreement"), the Company issued subscription convertible bonds to Founder Information (Hong Kong) Limited ("Founder Information"), the substantial shareholder of the Company, at a consideration of HK\$62.0 million.

At 30 June 2013, the capital commitment for contracted, but not provided for, and authorised, but not provided for properties under development were HK\$317.2 million (31 December 2012: Nil) and HK\$460.2 million (31 December 2012: Nil), respectively.

On 19 August 2013, the Company entered into the placing agreement with the placing agent pursuant to which the placing agent has conditionally agreed with the Company to endeavor to place up to 320,000,000 placing shares to not less than six placees who are independent third parties at the placing price of not less than HK\$1.06. Further details are set out in the announcement of the Company dated 19 August 2013. Up to the date of the approval of the condensed consolidated interim financial statements, the placing has not been completed. The proceeds will be used for the acquisition of new land and development of new projects as opportunities arise and used as general working capital of the Group.

Management Discussion and Analysis

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 United States Dollars ("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

On 23 August 2012, the Company and Founder Information entered into the S&P and Subscription Agreement, pursuant to which the Company conditionally agreed to acquire 100% equity interests in Hong Kong Tianranju Holdings Limited and Hong Kong Tianhe Holdings Limited (the "Acquisition"), which are principally engaged in property development and property investment, from Founder Information, which would be satisfied by the issue of the consideration shares of the Company and the consideration convertible bonds of the Company. Further details of the transactions were set out in the circular of the Company dated 16 November 2012. The Acquisition was completed on 2 January 2013.

Save as disclosed above, the Group had no acquisition or disposal of subsidiaries and associates for the six months ended 30 June 2013.

Charges on assets

As at 30 June 2013, bank deposits of approximately HK\$133.8 million (31 December 2012: HK\$106.3 million) were pledged to banks to secure general banking facilities granted, as guarantees deposits for construction of the relevant properties and as guarantees deposits for certain mortgage loans granted by banks to purchasers of the Group's properties.

Future plans for material investments or capital assets

The Group did not have any concrete future plans for material investments or capital assets as at 30 June 2013.

Management Discussion and Analysis

Contingent liabilities

As at 30 June 2013, the Group had contingent liabilities relating to guarantees in respect of mortgages granted by certain banks to certain purchasers of the Group's properties amounting to approximately HK\$156,013,000 (31 December 2012: Nil). This represented the guarantees in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled (but not limited to) to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which generally be available within one to two years after the purchases take possession of the relevant properties.

The fair value of the guarantees is not significant and the directors consider that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties and therefore no provision has been made for the guarantees in the condensed consolidated interim financial statements as at 30 June 2013.

Other Information

Directors' Interests and Short Positions in Shares and Underlying Shares

At 30 June 2013, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

Name of director	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr Zhang Zhao Dong	Directly beneficially owned	3,956,000	0.24
Mr Zheng Fu Shuang	Directly beneficially owned	<u>200,019,000</u>	<u>12.24</u>

Long positions in share options of the Company:

Name of director	Number of options directly beneficially owned
Ms Yu Li	16,339,690
Mr Fang Hao	16,339,690
Mr Zhou Bo Qin	16,339,690
Mr Zhang Zhao Dong	10,514,050
Mr Zhang Zhao Dong	16,339,690
Mr Xie Ke Hai	10,514,050
Mr Xie Ke Hai	<u>16,339,690</u>
	<u>102,726,550</u>

Save as disclosed above, as at 30 June 2013, none of the directors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

Share Option Scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The following share options were outstanding under the share option scheme at 1 January 2013 and at the end of the period:

Name or category of participant	Number of share options			Date of grant of share options (Note 1)	Exercise period of share options (Note 2)	Exercise price of share options (Note 3) HK\$ per share
	At 1 January 2013	Granted during the period	At 30 June 2013			
Executive Directors						
Ms Yu Li	-	16,339,690	16,339,690	10.6.2013	10.6.2014 to 9.6.2016	0.910
Mr Fang Hao	-	16,339,690	16,339,690	10.6.2013	10.6.2014 to 9.6.2016	0.910
Mr Zhou Bo Qin	-	16,339,690	16,339,690	10.6.2013	10.6.2014 to 9.6.2016	0.910
Mr Zhang Zhao Dong	-	16,339,690	16,339,690	10.6.2013	10.6.2014 to 9.6.2016	0.910
Mr Zhang Zhao Dong	10,514,050	-	10,514,050	5.12.2011	5.12.2012 to 4.12.2014	0.281
Mr Xie Ke Hai	10,514,050	-	10,514,050	5.12.2011	5.12.2012 to 4.12.2014	0.281
Mr Xie Ke Hai	-	16,339,690	16,339,690	10.6.2013	10.6.2014 to 9.6.2016	0.910
Subtotal	21,028,100	81,698,450	102,726,550			
Other employees of the Group						
In aggregate	10,514,050	-	10,514,050	5.12.2011	5.12.2012 to 4.12.2014	0.281
In aggregate	-	81,698,450	81,698,450	10.6.2013	10.6.2014 to 9.6.2016	0.910
Subtotal	10,514,050	81,698,450	92,121,500			
Other employee of the substantial shareholder of the Company						
In aggregate	10,514,050	-	10,514,050	5.12.2011	5.12.2012 to 4.12.2014	0.281
Total	42,056,200	163,396,900	205,453,100			

Other Information

Notes to the table of share options outstanding during the period:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

2. The options granted on 5 December 2011 are exercisable in the following two tranches:

(i) First 40% of the options are exercisable from 5 December 2012 to 4 December 2014; and

(ii) The remaining 60% of the options are exercisable from 5 December 2013 to 4 December 2014.

The options granted on 10 June 2013 are exercisable in the following two tranches:

(i) First 40% of the options are exercisable from 10 June 2014 to 9 June 2016; and

(ii) The remaining 60% of the options are exercisable from 10 June 2015 to 9 June 2016.

The price of the Company's shares at the date of grant on 10 June 2013 was HK\$0.91 per share.

3. The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

Save as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Other Information

Substantial Shareholders' and Other Persons' Interests in Shares

At 30 June 2013, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
北京北大資產經營有限公司 (Peking University Asset Management Company Limited*)	1	Through a controlled corporation	891,171,976	54.54
北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder")	2	Through a controlled corporation	891,171,976	54.54
Founder Information (Hong Kong) Limited ("Founder Information")		Directly beneficially owned	891,171,976	54.54
Mr Zheng Fu Shuang		Directly beneficially owned	200,019,000	12.24
Peking University Education Foundation		Directly beneficially owned	93,240,000	5.71
Peking University Education Foundation		Beneficiary of a trust	2,330,000	0.14

* For identification purpose only

Notes:

1. Peking University Asset Management Company Limited is deemed to be interested in the 891,171,976 shares of the Company under the SFO by virtue of its interest in Peking Founder.
2. Peking Founder is deemed to be interested in 891,171,976 shares of the Company under the SFO by virtue of its interest in Founder Information.

Save as disclosed above, as at 30 June 2013, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Other Information

Purchase, Redemption or Sale of Listed Securities of the Company

The Company has not redeemed any of its listed securities during the six months ended 30 June 2013. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 30 June 2013.

Corporate Governance

The Company has complied with all code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the six months ended 30 June 2013, except for the following deviations:

Provision A.6.7 of the CG Code provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Ms Cao Qian (independent non-executive director of the Company) could not attend the special general meeting of the Company held on 29 May 2013 and the annual general meeting of the company held on 29 May 2013 due to business commitment in the PRC. However, all other independent non-executive directors of the Company were present thereat to be available to answer any question to ensure effective communication with shareholders of the Company.

Provision E.1.2 of the CG Code provides that the Chairman of the board should attend the annual general meeting. Mr Zhang Zhao Dong could not attend the annual general meeting of the Company held on 29 May 2013 due to business commitment in the PRC. Mr Chen Geng, the President of the Company, was present thereat to be available to answer questions at the annual general meeting.

Model Code for Securities Transactions by Directors of Listed Issuer

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. Having made specific enquiry by the Company, all directors have confirmed that they have complied with the Model Code regarding directors' securities transactions throughout the accounting period covered by the interim report.

Audit Committee

The Audit Committee has reviewed the Group's condensed consolidated interim financial statements for the six months ended 30 June 2013, including the accounting principles adopted by the Group, with the Company's management.

By Order of the Board
EC-FOUNDER (HOLDINGS) COMPANY LIMITED
Yu Li
Chairwoman