



INTERIM  
REPORT

2009



EC-FOUNDER (HOLDINGS) COMPANY LIMITED

**方正數碼(控股)有限公司**

*(Incorporated in Bermuda with limited liability)*

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## Corporate Information

### BOARD OF DIRECTORS

#### *Executive directors*

Mr Zhang Zhao Dong (*Chairman*)  
Mr Chen Geng (*President*)  
Mr Xia Yang Jun  
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 Chen Geng (*Chairman*)  
Mr Li Fat Chung  
Ms Wong Lam Kit Yee

### COMPANY SECRETARY

Ms Tang Yuk Bo, Yvonne

### AUTHORISED REPRESENTATIVES

Mr Zhang Zhao Dong  
Mr Chen Geng

### AUDITORS

Ernst & Young  
Certified Public Accountants

### LEGAL ADVISERS

Morrison & Foerster  
DLA Piper Hong Kong

### PRINCIPAL BANKERS

Bank of Hangzhou  
Bank of Tianjin  
China Construction 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 HM08  
Bermuda

#### *Hong Kong branch share registrars and transfer office*

Tricor Tengis Limited  
26th Floor, Tesbury Centre  
28 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.ecfounder.com.hk](http://www.ecfounder.com.hk)  
[www.irasia.com/listco/hk/ecfounder](http://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 2009, together with the comparative figures for the corresponding period in 2008. 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 2009

		For the six months ended 30 June	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
	<i>Notes</i>		
REVENUE		1,809,895	1,930,878
Cost of sales		<u>(1,713,358)</u>	<u>(1,826,192)</u>
Gross profit		96,537	104,686
Other income and gains	3	5,600	3,501
Selling and distribution costs		(49,729)	(45,244)
Administrative expenses		(29,520)	(32,111)
Other income/(expenses), net		(9,036)	3,175
Finance costs	4	(1,279)	(1,863)
Share of profits and losses of associates		<u>6,447</u>	<u>6,053</u>
PROFIT BEFORE TAX	5	19,020	38,197
Tax	6	<u>(1,655)</u>	<u>(6,790)</u>
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		<u>17,365</u>	<u>31,407</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic	7	<u>1.57 cents</u>	<u>2.84 cents</u>
– Diluted	7	<u>N/A</u>	<u>N/A</u>

## Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009

	For the six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Profit for the period	17,365	31,407
Exchange differences on translation of foreign operations	<u>(468)</u>	<u>16,977</u>
Other comprehensive income/(loss) for the period, net of tax	<u>(468)</u>	<u>16,977</u>
Total comprehensive income for the period, net of tax	<u>16,897</u>	<u>48,384</u>
Attributable to:		
Equity holders of the parent	<u>16,897</u>	<u>48,384</u>

## Condensed Consolidated Statement of Financial Position

30 June 2009

	<i>Notes</i>	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		5,355	6,017
Goodwill		2,892	2,892
Interests in associates		<u>39,318</u>	<u>32,871</u>
Total non-current assets		<u>47,565</u>	<u>41,780</u>
<b>CURRENT ASSETS</b>			
Inventories		148,429	154,736
Trade and bills receivables	9	528,223	373,339
Prepayments, deposits and other receivables		167,839	494,845
Pledged deposits		186,014	199,627
Cash and cash equivalents		<u>223,083</u>	<u>212,537</u>
Total current assets		<u>1,253,588</u>	<u>1,435,084</u>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	10	790,614	987,491
Other payables and accruals		140,970	193,778
Interest-bearing bank and other borrowings		67,283	10,346
Tax payable		<u>852</u>	<u>627</u>
Total current liabilities		<u>999,719</u>	<u>1,192,242</u>
NET CURRENT ASSETS		<u>253,869</u>	<u>242,842</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>301,434</b>	284,622
<b>NON-CURRENT LIABILITIES</b>			
Finance lease payable		<u>-</u>	<u>85</u>
Net assets		<u>301,434</u>	<u>284,537</u>
<b>EQUITY</b>			
Issued capital		110,606	110,606
Reserves		<u>190,828</u>	<u>173,931</u>
Total equity		<u>301,434</u>	<u>284,537</u>

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	Issued share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	General reserve (Unaudited) HK\$'000	Retained profits/ (accumulated losses) (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2009	110,606	156,019	520,156	26,560	6,694	(535,498)	284,537
Profit for the period	-	-	-	-	-	17,365	17,365
Other comprehensive loss	-	-	-	(468)	-	-	(468)
Total comprehensive income	-	-	-	(468)	-	17,365	16,897
At 30 June 2009	<u>110,606</u>	<u>156,019</u>	<u>520,156</u>	<u>26,092</u>	<u>6,694</u>	<u>(518,133)</u>	<u>301,434</u>
At 1 January 2008	110,606	156,019	520,156	18,631	5,553	(552,721)	258,244
Profit for the period	-	-	-	-	-	31,407	31,407
Other comprehensive income	-	-	-	16,977	-	-	16,977
Total comprehensive income	-	-	-	16,977	-	31,407	48,384
At 30 June 2008	<u>110,606</u>	<u>156,019</u>	<u>520,156</u>	<u>35,608</u>	<u>5,553</u>	<u>(521,314)</u>	<u>306,628</u>

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2009

	For the six months ended	
	30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	<b>(63,868)</b>	(119,853)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	<b>24,253</b>	(21,428)
NET CASH INFLOW FROM FINANCING ACTIVITIES	<b>56,852</b>	17,078
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<b>17,237</b>	(124,203)
Cash and cash equivalents at beginning of period	<b>201,267</b>	296,286
Effect of foreign exchange rate changes, net	<b>4,579</b>	23,271
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>223,083</b>	195,354
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<b>223,083</b>	194,851
Non-pledged time deposits with original maturity of less than three months when acquired	<b>-</b>	503
	<b>223,083</b>	195,354



# Notes to Condensed Consolidated Interim Financial Statements

30 June 2009

## 1. ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2009 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 2008, 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 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments</i>
HKFRS 8	<i>Operating Segments</i>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i>
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement – Embedded Derivatives</i>
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>

Apart from the above, the Group has also adopted *Improvements to HKFRSs\** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording.

\* Improvements to HKFRSs contains amendments to HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

# Notes to Condensed Consolidated Interim Financial Statements

30 June 2009

## 1. ACCOUNTING POLICIES *(continued)*

Except for HKFRS 8 and HKAS 1 (Revised) giving rise to new accounting policies and additional disclosure as further described below, the adoption of the new interpretations and amendments has had no significant effect on these condensed consolidated financial statements.

### (a) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers.

### (b) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements.

## 2. 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	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Bank interest income	4,378	2,497
Government grants	972	249
Gain on disposal of items of property, plant and equipment	-	5
Others	250	750
	5,600	3,501

## Notes to Condensed Consolidated Interim Financial Statements

30 June 2009

### 4. FINANCE COSTS

	For the six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Interest on bank loans	1,259	1,843
Interest on finance lease	20	20
	<u>1,279</u>	<u>1,863</u>

### 5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Depreciation	1,301	1,381
Impairment/(reversal of impairment) of trade receivables	10,894	(3,863)
Provision/(reversal of provision) for obsolete inventories	(14,200)	2,925
	<u>1,301</u>	<u>2,925</u>

### 6. TAX

	For the six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Current – The People's Republic of China (the "PRC")	<u>1,655</u>	<u>6,790</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 2008: Nil).

PRC corporate income tax represents the tax charged on the estimated assessable profits arising in the Mainland China. On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Corporate Income Tax Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council issued Implementation Regulation of the New Corporate Income Tax Law. The New Corporate Income Tax Law and Implementation Regulation changed the tax rate of the PRC subsidiaries to 25% from 1 January 2008 onwards.

Beijing Founder Century Information Systems Co., Ltd. ("PRC Century"), a wholly-owned subsidiary of the Company, was registered as a new and high technology enterprise. Pursuant to the New Corporate Income Tax Law, PRC Century 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\$1,758,000 (six months ended 30 June 2008: HK\$1,395,000) 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 2009

### 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 2009 is based on the unaudited profit for the period attributable to ordinary equity holders of the parent of approximately HK\$17,365,000 (six months ended 30 June 2008: HK\$31,407,000), and the weighted average number of 1,106,062,040 (six months ended 30 June 2008: 1,106,062,040) ordinary shares in issue during the period.

Diluted earnings per share amounts for the six months ended 30 June 2009 and 2008 have not been disclosed as the impact of the outstanding share options did not have a dilutive effect.

### 8. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

### 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. Trade receivables are non-interest-bearing.

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

	<b>30 June 2009 (Unaudited) HK\$'000</b>	31 December 2008 (Audited) HK\$'000
Within 6 months	499,751	349,019
7 to 12 months	22,165	16,459
13 to 24 months	6,307	7,595
Over 24 months	—	266
	<b>528,223</b>	<b>373,339</b>

Included in the Group's trade and bills receivables are amounts due from subsidiaries and associate of the substantial shareholders of approximately HK\$94,486,000 (31 December 2008: HK\$46,489,000), 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 2009

### 10. TRADE AND BILLS PAYABLES

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

	<b>30 June 2009 (Unaudited) HK\$'000</b>	31 December 2008 (Audited) HK\$'000
Within 6 months	<b>775,500</b>	985,833
Over 6 months	<b>15,114</b>	1,658
	<b><u>790,614</u></b>	<b><u>987,491</u></b>

### 11. RELATED PARTY TRANSACTIONS

#### (I) Transactions with related parties

- (a) On 10 January 2006, the Group entered into lease agreement with a subsidiary of Peking University Founder Group Company Limited ("Peking Founder") ("Zhongguanyuan Lease"), to lease office premise in Beijing, the PRC, effective from 1 January 2006 to 31 December 2008. The Group has revised the annual cap of Zhongguanyuan Lease for the year ended 31 December 2008.

On 31 July 2007, the Group entered into lease agreement with a subsidiary of Peking Founder ("Founder Building Lease"), to lease new office premise in Beijing, the PRC, effective from 1 January 2007 to 31 December 2007. The lease agreement was renewed on 12 May 2008 for a term of one year from 1 January 2008 to 31 December 2008 under the same terms and conditions.

The lease agreements for the Zhongguanyuan Lease and the Founder Building Lease were renewed on 13 November 2008. The Group has set new annual caps of the Zhongguanyuan Lease and Founder Building Lease for the three years ending 31 December 2011.

During the period, rental and management fee expenses of approximately HK\$2,753,000 (six months ended 30 June 2008: HK\$2,242,000) were incurred by the Group to a subsidiary of Peking Founder. The directors considered that the rental and management fee expenses were paid in accordance with the terms of the lease agreements.

## Notes to Condensed Consolidated Interim Financial Statements

30 June 2009

### 11. RELATED PARTY TRANSACTIONS *(continued)*

#### *(I) Transactions with related parties (continued)*

- (b) On 5 January 2006, the Group entered into a master agreement with Peking Founder to govern the sale of information products to Peking Founder and its subsidiaries (collectively "Peking Founder Group") for a term of three years from 1 January 2006 to 31 December 2008. On 16 June 2008, the ordinary resolution to approve the revised annual cap amounts for the year ended 31 December 2008 was passed at the special general meeting.

On 15 December 2008, the Group entered into a master agreement with Peking Founder to continue the transactions for the supply of information products to Peking Founder Group for a term of three years from 1 January 2009 to 31 December 2011.

During the period, products of approximately HK\$23,603,000 (six months ended 30 June 2008: HK\$7,205,000) were sold to Peking Founder Group. The sales of products were made according to published prices and conditions similar to those offered to other customers of the Group.

- (c) On 5 January 2006, the Group entered into a master agreement with Founder Holdings Limited ("FHL"), a substantial shareholder of the Company, to govern the sale of information products to FHL and its subsidiaries (collectively "Founder Group") for a term of three years from 1 January 2006 to 31 December 2008. On 15 November 2006, the Company entered into a first supplemental agreement with FHL to amend the annual cap amounts. The first supplemental agreement was superseded by the second revised supplemental agreement which was entered into between the Company and FHL on 5 December 2006.

On 15 December 2008, the Group entered into a master agreement with FHL to continue the transactions for the supply of information products to Founder Group for a term of three years from 1 January 2009 to 31 December 2011.

During the period, products of approximately HK\$112,323,000 (six months ended 30 June 2008: HK\$76,005,000) were sold to Founder Group. The sales of products were made according to published prices and conditions similar to those offered to other customers of the Group.

- (d) On 15 December 2008, the Group entered into a master agreement with Founder Group for the purchase of information products from Founder Group for a term of three years from 1 January 2009 to 31 December 2011.

During the period, products of approximately HK\$10,130,000 (six months ended 30 June 2008: Nil) were purchased from Founder Group.

## Notes to Condensed Consolidated Interim Financial Statements

30 June 2009

### 11. RELATED PARTY TRANSACTIONS *(continued)*

#### *(I) Transactions with related parties (continued)*

- (e) As at 30 June 2009, Peking Founder guaranteed banking facilities given by the PRC banks to the Group of approximately HK\$859,560,000 (31 December 2008: HK\$892,021,000) which were utilised to the extent of approximately HK\$569,863,000 (31 December 2008: HK\$738,185,000).

The related party transactions in respect of items (a), (b), (c) and (d) above 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.

#### *(II) Outstanding balances with related parties*

- (a) The balances due from subsidiaries of FHL included in prepayments, deposits and other receivables were approximately HK\$104,230,000 (31 December 2008: HK\$2,172,000). The balances are unsecured, interest-free and have no fixed terms of repayment.
- (b) The balances due to subsidiaries of FHL included in other payables and accruals were approximately HK\$18,033,000 (31 December 2008: HK\$10,000,000). The balance are unsecured, interest-free and have no fixed terms of repayment.
- (c) The balances due to Peking Founder Group included in other payables and accruals were approximately HK\$1,753,000 (31 December 2008: HK\$13,683,000). The balances are unsecured, interest-free and have no fixed terms of repayment.
- (d) Details of the trade receivables balances with its related companies as at the end of the reporting period are included in note 9 to the condensed consolidated interim financial statements.

#### *(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	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Directors' fee, salaries, allowances and benefits in kind	340	328
Pension schemes contributions	6	6
Total compensation paid to key management personnel	346	334

### 12. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2009 (31 December 2008: Nil).

## Management Discussion and Analysis

### Overall Performance

The Group reported a profit attributable to equity holders of the parent for the six months ended 30 June 2009 of HK\$17.4 million (six months ended 30 June 2008: HK\$31.4 million). The Group's revenue for the current interim period has declined slightly by 6.3% to HK\$1,810.0 million (six months ended 30 June 2008: HK\$1,930.9 million). The Group's gross profit has decreased by 7.8% to HK\$96.5 million (six months ended 30 June 2008: HK\$104.7 million) while the gross profit margin was maintained at 5.3% which was comparable to last interim period of 5.4%.

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

- a. a slight decrease in the revenue of the distribution of information products business by 6.3% to HK\$1,810.0 million (six months ended 30 June 2008: HK\$1,930.9 million);
- b. an increase in total selling and distribution costs and administrative expenses by 2.4% to HK\$79.3 million (six months ended 30 June 2008: HK\$77.4 million);
- c. an increase in the share of profits and losses of associates by 6.5% to approximately HK\$6.4 million (six months ended 30 June 2008: HK\$6.1 million); and
- d. a decrease in taxation charge for the distribution of information products business by 75.6% to HK\$1.7 million (six months ended 30 June 2008: HK\$6.8 million).

Basic earnings per share attributable to equity holders of the parent for the current interim period was HK1.57 cents (six months ended 30 June 2008: HK2.84 cents).

### Operating Review

#### *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\$1,810.0 million representing a decrease of 6.3% as compared to last interim period. Gross profit for the Distribution Business has decreased by 7.8% to HK\$96.5 million for the current interim period (six months ended 30 June 2008: HK\$104.7 million) while gross profit margin was maintained at 5.3% for the current interim period as compared to 5.4% in the last interim period.

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.



## Management Discussion and Analysis

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., was awarded as H3C excellent general agent (H3C 優秀總代理獎).

To maintain its growth and profitability of the Distribution Business, the management continued to closely monitor the profitability and performance of each product line. Less resources were put on those product lines which generated lower gross profit margin and poor performance leading to a slight decline in turnover during the current interim period. In addition, we further expanded our sales team so as to broaden our customer base and strengthen our position in the PRC's information products distribution business.

To maintain continued expansion in operation, the Group also focus on the current assets management. The Group's trade and bills receivables and inventory turnover periods were maintained at 44.8 days and 15.9 days respectively which were comparable to last interim period.

### Prospects

Given the continuous sign of recovery of the economy of China, the management will closely monitor changes in China's economy and its IT market. 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.

### Employees

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 705 employees as at 30 June 2009.

# 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 2009, the Group had interest-bearing bank and other borrowings of approximately HK\$67.3 million (31 December 2008: HK\$10.4 million), of which approximately HK\$45.6 million (31 December 2008: Nil) were fixed interest bearing and HK\$21.7 million (31 December 2008: HK\$10.4 million) were floating interest bearing. Bank and other 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.

At 30 June 2009, the Group recorded total assets of approximately HK\$1,301.1 million (31 December 2008: HK\$1,476.8 million) which were financed by liabilities of approximately HK\$999.7 million (31 December 2008: HK\$1,192.3 million) and equity of approximately HK\$301.4 million (31 December 2008: HK\$284.5 million). The Group's net asset value as at 30 June 2009 increased by approximately 5.9% to HK\$301.4 million as compared to approximately HK\$284.5 million as at 31 December 2008.

The Group had total cash and bank balances of approximately HK\$409.1 million as at 30 June 2009 (31 December 2008: HK\$412.2 million). After deducting the Group's bank and other borrowings, the Group recorded net cash and bank balances of approximately HK\$341.8 million as at 30 June 2009 (31 December 2008: HK\$401.8 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 2009, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders' equity, was 0.22 (31 December 2008: 0.04) while the Group's working capital ratio was 1.25 (31 December 2008: 1.20).

At 30 June 2009, the Group did not have any material capital expenditure commitments.

### *Treasury policies*

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

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

Most of the Group's borrowings are denominated in RMB and U.S. Dollars while the sales of the Group are mainly denominated in RMB and U.S. Dollars. As the exchange rates of U.S. Dollars against Hong Kong dollars and RMB were relatively stable during the period under review, the Group's exposure to fluctuations in exchange rates is considered minimal and no financial instruments have been used for hedging purposes.

## Management Discussion and Analysis

### *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 2009.

### *Charges on assets*

As at 30 June 2009, bank deposits of approximately HK\$186.0 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 2009 (31 December 2008: Nil).

## Other Information

### Directors' Interests and Short Positions in Shares and Underlying Shares

At 30 June 2009, 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	Number of ordinary shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
Mr Zhang Zhao Dong	3,956,000	–	3,956,000	0.36
Mr Zheng Fu Shuang <i>(Note)</i>	–	229,601,000	229,601,000	20.76

*Note:* Mr Zheng Fu Shuang is interested in these shares through Shining Wisdom Group Limited ("Shining Wisdom"), a company which is beneficially and wholly owned by Mr Zheng Fu Shuang.

#### Long positions in shares options of the Company:

Name of director	Number of options directly beneficially owned
Mr Zhang Zhao Dong	8,000,000

#### Short positions in ordinary shares of the Company:

Name of director	Number of ordinary shares held, capacity and nature of interest	Percentage of the Company's issued share capital
	Through controlled corporation	
Mr Zheng Fu Shuang <i>(Note)</i>	229,601,000	20.76

*Note:* Mr Zheng Fu Shuang is interested in these shares through Shining Wisdom, a company which is beneficially and wholly owned by Mr Zheng Fu Shuang.

## Other Information

### Directors' Interests and Short Positions in Shares and Underlying Shares

*(continued)*

Save as disclosed above, as at 30 June 2009, 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.

### Directors' Rights to Acquire Shares

Save as disclosed under the section "Directors' interests and short positions in shares and underlying shares" above and in the section "Share option schemes" below, 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.

### Share Option Schemes

On 24 May 2002, the Company adopted a share option scheme (the "2002 Scheme") in compliance with Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The share option scheme adopted by the Company on 7 May 2001 (the "2001 Scheme") was terminated on 24 May 2002, however, the options granted under the 2001 Scheme remain in full force and effect.

## Other Information

### Share Option Schemes *(continued)*

The following share options were outstanding under the 2001 Scheme and the 2002 Scheme at 1 January 2009 and at the end of the period:

Name or category of participant	Number of share options outstanding as at 1 January 2009 and 30 June 2009	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$ per share
<b>2001 Scheme</b>				
<i>Other employees</i>				
In aggregate	4,300,000	18.5.2001	18.5.2001 to 17.5.2011	0.450
<b>2002 Scheme</b>				
<i>Director</i>				
Mr Zhang Zhao Dong	8,000,000	6.2.2004	7.2.2004 to 5.2.2014	0.381
<i>Other employees</i>				
In aggregate	16,000,000	6.2.2004	7.2.2004 to 5.2.2014	0.381
In aggregate	10,500,000	2.1.2004	3.1.2004 to 31.12.2013	0.340
Total under the 2002 Scheme	<u>34,500,000</u>			

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

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

\*\* 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.

## Other Information

### Substantial Shareholders' and Other Persons' Interests in Shares

At 30 June 2009, 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:

Name	Notes	Capacity and nature of interest	Long positions		Short positions	
			Number of ordinary shares held	Percentage of the Company's issued share capital	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	363,265,000	32.84	-	-
北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder")	2	Through a controlled corporation	363,265,000	32.84	-	-
Founder Holdings Limited ("FHL")		Directly beneficially owned	363,265,000	32.84	-	-
Shining Wisdom	3	Directly beneficially owned	229,601,000	20.76	229,601,000	20.76
International Finance Corporation	3	Beneficiary of a charge	114,800,500	10.38	-	-
Mr Zhong Liang	3	Beneficiary of a charge	109,601,000	9.91	-	-
Peking University Education Foundation		Directly beneficially owned	93,240,000	8.43	-	-
Peking University Education Foundation		Beneficiary of a trust	2,330,000	0.21	-	-
Ms Li Yong Hui	4	As trustee	60,671,600	5.49	-	-
Ms Ying Yu Ling	4	As trustee	60,671,600	5.49	-	-
F2 Consultant Limited	4	Owned as nominee	60,671,600	5.49	-	-
HSBC International Trustee Limited	5	Through a controlled corporation	60,500,000	5.47	-	-
Sun Hung Kai Properties Limited	5	Through a controlled corporation	60,500,000	5.47	-	-
Sunco Resources Limited	5	Through a controlled corporation	60,500,000	5.47	-	-
SUNeVision Holdings Ltd.	5	Through a controlled corporation	60,500,000	5.47	-	-
Hugh Profit Investments Ltd.	5	Through a controlled corporation	60,500,000	5.47	-	-
Well Drive Holdings Limited		Directly beneficially owned	60,500,000	5.47	-	-

\* For identification purpose only

## Other Information

### Substantial Shareholders' and Other Persons' Interests in Shares *(continued)*

*Notes:*

1. Peking University Asset Management Company Limited is deemed to be interested in the 363,265,000 shares of the Company under the SFO by virtue of its interest in Peking Founder.
2. Peking Founder is deemed to be interested in 363,265,000 shares of the Company under the SFO by virtue of its interest in FHL.
3. Mr Zheng Fu Shuang is interested in these shares through Shining Wisdom. The 229,601,000 shares of the Company held by Shining Wisdom are charged to International Finance Corporation which are classified as a short position of Shining Wisdom under the SFO. Out of these 229,601,000 shares of the Company held by Shining Wisdom, 109,601,000 shares are charged to Mr Zhong Liang which are classified as a short position of Shining Wisdom under the SFO.
4. F2 Consultant Limited holds the shares of the Company as nominee on behalf of the directors of Founder Data Corporation International Limited ("FDC") who are acting in their capacity as the trustees of a discretionary trust for the employees of FDC and its subsidiaries. Ms Li Yong Hui and Ms Ying Yu Ling are the directors of FDC.
5. Each of HSBC International Trustee Limited, Sun Hung Kai Properties Limited, Sunco Resources Limited, SUNeVision Holdings Ltd. and Hugh Profit Investments Ltd. is deemed to be interested in 60,500,000 shares of the Company under the SFO by virtue of its, direct or indirect, interest in Well Drive Holdings Limited.

Save as disclosed above, as at 30 June 2009, 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.

### 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 2009, complied with the code provisions of the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.



## Other Information

### 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 six months ended 30 June 2009, 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  
25 September 2009