



INTERIM
REPORT

2007



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

QUALIFIED ACCOUNTANT

Mr Lau Fai Lawrence

AUTHORISED REPRESENTATIVES

Mr Zhang Zhao Dong
Mr Chen Geng

AUDITORS

Ernst & Young
Certified Public Accountants

LEGAL ADVISERS

Morrison & Foerster

PRINCIPAL BANKERS

Agricultural Bank of China
BNP Paribas Hong Kong Branch
China Merchants Bank
DBS Bank (Hong Kong) Limited
Hang Seng Bank 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 Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HMO8
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: 0618
Board Lot: 2,000 shares

COMPANY WEBSITES

www.ecfounder.com.hk
www.irasia.com/listco/hk/ecfounder/index.htm

Management Discussion and Analysis

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 2007, together with the comparative figures for the corresponding period in 2006. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

Overall Performance

The Group achieved satisfactory results for the six months ended 30 June 2007. Turnover has increased by 6.9% to approximately HK\$1,237.4 million (Six months ended 30 June 2006: HK\$1,157.2 million) and gross profit has increased by 15.6% to HK\$65.0 million (Six months ended 30 June 2006: HK\$56.2 million). Gross profit ratio has increased to 5.25% compared with 4.86% for the six months ended 30 June 2006.

Despite having recorded a moderate growth in turnover, total administrative expenses and selling and distribution costs have recorded a 22.6% increase compared with the six months ended 30 June 2006.

The Group's unaudited consolidated profit attributable to equity holders for the period was HK\$10.4 million (Six months ended 30 June 2006: HK\$11.0 million).

The Group's unaudited consolidated profit attributable to equity holders for the period was mainly the net result of:

- a. an improvement in segment results of the distribution of information products business by 36.9% to HK\$12.0 million (Six months ended 30 June 2006: HK\$8.8 million);
- b. an increase in net corporate expenses by 19.0% to HK\$3.0 million (Six months ended 30 June 2006: HK\$2.5 million); and
- c. a decrease in the share of profits of associates by 55.9% to HK\$2.5 million (Six months ended 30 June 2006: HK\$5.7 million).

Basic earnings per share attributable to equity holders for the period was HK0.94 cents (Six months ended 30 June 2006: HK1.00 cents).

Operating Review and Prospects

The Group's principal operating activity during the period is the distribution of information products business ("Distribution Business"). The Distribution Business recorded a turnover of HK\$1,237.4 million for the period which was 6.9% higher than that for the six months ended 30 June 2006 and segment results also increased by 36.9% to HK\$12.0 million for the current period (Six months ended 30 June 2006: HK\$8.8 million). Gross profit for the Distribution Business has recorded an increase of 15.6% to HK\$65.0 million (Six months ended 30 June 2006: HK\$56.2 million) while gross profit ratio has improved to 5.25% comparing to 4.86% for the six months ended 30 June 2006.

Management Discussion and Analysis

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

The significant improvement in segment results was due to:

- a. improvement in gross profit ratio for a wide range of products as a result of the Group's more stringent policy in selecting customers;
- b. continued effort to control the operating costs for the Distribution Business; and
- c. development of closer working relationship with the vendors and the introduction of more high margin products.

In 2007, the Distribution Business was awarded by HP for its excellent sales performance in 2006 in the PRC. In June 2007, the Distribution Business was ranked the 4th place (2006: 4th) by Computer Partner World (電腦商報) among the top 150 information products distributors in the PRC's information products distribution business for its outstanding profitability, distribution channel efficiency, service level, credibility and growth potential.

With the continuous improvement in operating efficiency, the segment result to turnover ratio has improved to 1.0% for the current interim period from 0.8% for the six months ended 30 June 2006. In light of the rapidly booming PRC economy, the Group believes that an effective risk control system is required in order to maintain its profitability and operating efficiency. In light of the business expansion for the Distribution Business, the strict financial control system has protected the Distribution Business from any material doubtful trade debts. The amount of impairment of trade receivables for the current interim period is merely HK\$1.5 million (Six months ended 30 June 2006: HK\$5.2 million). The Group's trade and bills receivable and inventory turnover periods have improved from the six months ended 30 June 2006's 47.3 days and 22.9 days to the current interim period's 46.4 days and 19.6 days respectively. The working capital ratio for the Group stood at 1.32 as at 30 June 2007 (31 December 2006: 1.30) while the total liabilities to equity ratio also decreased to 2.63 as at 30 June 2007 (31 December 2006: 2.80).

The Distribution Business has been able to maintain its growth and outperformed the general business activities and economic situations in the PRC during the period under review by leveraging on its extensive distribution channel and long-developed partnership with the major information products manufacturers. To fuel for future growth, the Distribution Business is dedicated to broaden its products range and improve its product mix in order to bring in more value to its shareholders. It is expected that the Group will benefit from the opportunities offered by the thriving PRC economy and strong demand for information products.

With the Group's determination to further strengthen its position in the PRC's information products distribution business, the Group will continue to look for alliance with other international information products suppliers and investment opportunities. The Board and the management team are dedicated towards the aims to reward shareholders with strong financial results and promising outlook.

Management Discussion and Analysis

Financial Review

Liquidity, financial resources and capital commitments

At 30 June 2007, the Group recorded total assets of approximately HK\$918.9 million (31 December 2006: HK\$900.0 million) which were financed by liabilities of approximately HK\$665.7 million (31 December 2006: HK\$663.2 million) and equity of approximately HK\$253.2 million (31 December 2006: HK\$236.8 million). The Group's net asset value as at 30 June 2007 was approximately HK\$253.2 million (31 December 2006: HK\$236.8 million).

The Group had total cash and bank balance of approximately HK\$288.1 million as at 30 June 2007 (31 December 2006: HK\$356.9 million). The Group had bank and other borrowings as at 30 June 2007 of HK\$89.8 million (31 December 2006: HK\$40.4 million), of which approximately HK\$89.5 million (31 December 2006: HK\$40.0 million) was repayable within one year and approximately HK\$0.3 million (31 December 2006: HK\$0.4 million) was repayable within two to five years. Hence the Group recorded a net cash balance of approximately HK\$198.3 million as at 30 June 2007 (31 December 2006: HK\$316.5 million). As at 30 June 2007, the Group's current ratio was 1.32 (31 December 2006: 1.30).

At 30 June 2007 and 31 December 2006, 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, Renminbi and United States dollars. Surplus cash is generally placed in short-term deposits denominated in Hong Kong dollars, Renminbi and United States dollars.

Exposure to fluctuations in exchange rates and related hedges

Most of the Group's payables are denominated in Hong Kong dollars, Renminbi and United States dollars and the turnover of the Group are mainly denominated in Renminbi and United States dollars. As the exchange rates of Renminbi and United States dollars against Hong Kong dollars 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.

Charges on assets

As at 30 June 2007, bank deposits of approximately HK\$107.7 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 2007 (31 December 2006: Nil).

Employee and remuneration policies

As at 30 June 2007, the Group had 538 employees (31 December 2006: 526). These employees almost all work in the Mainland China. The Company has also established share option schemes and share options are granted at the directors' discretion to motivate and reward the employees with outstanding performance. The Company had not granted any share options during the current period.

Condensed Consolidated Income Statement

For the six months ended 30 June 2007

| | | For the six months ended 30 June | |
|---|-------|-------------------------------------|--------------------|
| | | 2007 | 2006 |
| | | (Unaudited) | (Unaudited) |
| | Notes | HK\$'000 | HK\$'000 |
| REVENUE | 2 | 1,237,417 | 1,157,194 |
| Cost of sales | | <u>(1,172,438)</u> | <u>(1,100,979)</u> |
| Gross profit | | 64,979 | 56,215 |
| Other income | 3 | 2,531 | 1,284 |
| Selling and distribution costs | | (27,044) | (26,694) |
| Administrative expenses | | (28,143) | (18,302) |
| Other expenses, net | | (1,537) | (5,218) |
| Finance costs | 4 | (2,018) | (1,075) |
| Share of profits and losses of associates | | <u>2,529</u> | <u>5,739</u> |
| PROFIT BEFORE TAX | 5 | 11,297 | 11,949 |
| Tax | 6 | <u>(911)</u> | <u>(978)</u> |
| PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT | | <u>10,386</u> | <u>10,971</u> |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | |
| – Basic | 7 | <u>0.94 cents</u> | <u>1.00 cents</u> |
| – Diluted | 7 | <u>0.94 cents</u> | <u>N/A</u> |

Condensed Consolidated Balance Sheet

30 June 2007

| | <i>Notes</i> | 30 June 2007 (Unaudited) <i>HK\$'000</i> | 31 December 2006 (Audited) <i>HK\$'000</i> |
|---|--------------|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 7,069 | 7,640 |
| Goodwill | | 2,892 | 2,892 |
| Interests in associates | | <u>33,219</u> | <u>30,690</u> |
| Total non-current assets | | <u>43,180</u> | <u>41,222</u> |
| CURRENT ASSETS | | | |
| Inventories | | 130,781 | 120,929 |
| Trade and bills receivables | 9 | 352,993 | 276,747 |
| Prepayments, deposits and other receivables | | 103,824 | 104,128 |
| Pledged deposits | | 107,724 | 88,523 |
| Cash and cash equivalents | | <u>180,418</u> | <u>268,410</u> |
| Total current assets | | <u>875,740</u> | <u>858,737</u> |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | 10 | 485,322 | 506,323 |
| Other payables and accruals | | 89,756 | 116,198 |
| Interest-bearing bank and other borrowings | | 89,491 | 40,004 |
| Tax payable | | <u>776</u> | <u>268</u> |
| Total current liabilities | | <u>665,345</u> | <u>662,793</u> |
| NET CURRENT ASSETS | | <u>210,395</u> | <u>195,944</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>253,575</u> | <u>237,166</u> |
| NON-CURRENT LIABILITIES | | | |
| Finance lease payables | | <u>309</u> | <u>386</u> |
| Net assets | | <u>253,266</u> | <u>236,780</u> |
| EQUITY | | | |
| Issued capital | | 110,056 | 110,056 |
| Reserves | | <u>143,210</u> | <u>126,724</u> |
| Total equity | | <u>253,266</u> | <u>236,780</u> |

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2007

| | 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 2007 | 110,056 | 154,699 | 520,156 | 9,870 | 4,558 | (562,559) | 236,780 |
| Exchange realignment | - | - | - | 6,100 | - | - | 6,100 |
| Total income for the period recognised directly in equity | - | - | - | 6,100 | - | - | 6,100 |
| Profit for the period | - | - | - | - | - | 10,386 | 10,386 |
| Total income for the period | - | - | - | 6,100 | - | 10,386 | 16,486 |
| At 30 June 2007 | 110,056 | 154,699 | 520,156 | 15,970 | 4,558 | (552,173) | 253,266 |
| At 1 January 2006 | 110,056 | 154,699 | 520,156 | 2,870 | 2,867 | (575,800) | 214,848 |
| Exchange realignment | - | - | - | 2,018 | - | - | 2,018 |
| Total income for the period recognised directly in equity | - | - | - | 2,018 | - | - | 2,018 |
| Profit for the period | - | - | - | - | - | 10,971 | 10,971 |
| Total income for the period | - | - | - | 2,018 | - | 10,971 | 12,989 |
| At 30 June 2006 | 110,056 | 154,699 | 520,156 | 4,888 | 2,867 | (564,829) | 227,837 |

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2007

| | For the six months ended 30 June | |
|---|-------------------------------------|-------------|
| | 2007 | 2006 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| NET CASH OUTFLOW FROM OPERATING ACTIVITIES | (120,342) | (81,423) |
| NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES | 80,032 | (25,964) |
| NET CASH INFLOW FROM FINANCING ACTIVITIES | 48,210 | - |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 7,900 | (107,387) |
| Cash and cash equivalents at beginning of period | 168,710 | 253,839 |
| Effect of foreign exchange rate changes, net | 3,808 | 3,215 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 180,418 | 149,667 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 180,418 | 143,453 |
| Non-pledged time deposits with original maturity of less than three months when acquired | - | 6,214 |
| | 180,418 | 149,667 |

Notes to Condensed Consolidated Interim Financial Statements

1. Accounting Policies

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2006, 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:

| | |
|------------------|--|
| HKAS 1 Amendment | Capital Disclosures |
| HKFRS 7 | Financial Instruments: Disclosures |
| HK(IFRIC)-Int 7 | Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economies</i> |
| HK(IFRIC)-Int 8 | Scope of HKFRS 2 |
| HK(IFRIC)-Int 9 | Reassessment of Embedded Derivatives |
| HK(IFRIC)-Int 10 | Interim Financial Reporting and Impairment |

The adoption of the new and revised HKFRSs has had no material impact on the accounting policies of the Group and the method of computation in the Group’s condensed consolidated interim financial statements.

Notes to Condensed Consolidated Interim Financial Statements

2. Segment Information

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments.

The following table presents revenue and results for the Group's primary segments for the six months ended 30 June 2007 and 2006.

| | Distribution of information products | | Corporate and others | | Consolidated | |
|--|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 |
| Segment revenue: | | | | | | |
| Sales to customers | <u>1,237,417</u> | <u>1,157,194</u> | <u>-</u> | <u>-</u> | <u>1,237,417</u> | <u>1,157,194</u> |
| Segment results | <u>12,035</u> | <u>8,788</u> | <u>(2,976)</u> | <u>(2,501)</u> | <u>9,059</u> | <u>6,287</u> |
| Interest income | | | | | <u>1,727</u> | <u>998</u> |
| Finance costs | | | | | <u>(2,018)</u> | <u>(1,075)</u> |
| Share of profits and losses of associates | | | | | <u>2,529</u> | <u>5,739</u> |
| Profit before tax | | | | | <u>11,297</u> | <u>11,949</u> |
| Tax | | | | | <u>(911)</u> | <u>(978)</u> |
| Profit for the period | | | | | <u>10,386</u> | <u>10,971</u> |

Notes to Condensed Consolidated Interim Financial Statements

3. Other Income

| | For the six months ended 30 June | |
|----------------------|-------------------------------------|--------------|
| | 2007 | 2006 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Bank interest income | 1,727 | 998 |
| Government grants | 523 | 65 |
| Others | 281 | 221 |
| | <u>2,531</u> | <u>1,284</u> |

4. Finance Costs

| | For the six months ended 30 June | |
|---------------------------|-------------------------------------|--------------|
| | 2007 | 2006 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Interest on bank loans | 1,990 | 1,039 |
| Interest on finance lease | 28 | 36 |
| | <u>2,018</u> | <u>1,075</u> |

5. Profit Before Tax

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

| | For the six months ended 30 June | |
|--|-------------------------------------|--------------|
| | 2007 | 2006 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Depreciation | 1,236 | 1,022 |
| Impairment of trade receivables | 1,537 | 5,218 |
| Reversal of provision and write-back of obsolete inventories | (25) | (38) |
| | <u>2,748</u> | <u>6,192</u> |

Notes to Condensed Consolidated Interim Financial Statements

6. Tax

| | For the six months ended 30 June | |
|---------------------------------|-------------------------------------|-------------|
| | 2007 | 2006 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Current – Hong Kong | – | 8 |
| Current – Elsewhere | <u>911</u> | <u>970</u> |
| Total tax charge for the period | <u>911</u> | <u>978</u> |

No provision for Hong Kong profits tax has been made as the relevant Hong Kong subsidiaries did not generate any assessable profits arising in Hong Kong during the period. Hong Kong profits tax had been provided at a rate of 17.5% on the estimated assessable profits arising in Hong Kong during prior period.

The corporate income tax provision in the People's Republic of China (the "PRC") in respect of operations in the PRC is calculated at the applicable tax rates on the estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof.

Beijing Founder Century Information System Co., Ltd. ("PRC Century"), a wholly-owned PRC subsidiary of the Group, is exempted from PRC corporate income tax for the three fiscal years which commenced in 2002 and ended on 31 December 2004 and, thereafter, is taxed at 50% of its standard tax rate in the fourth to sixth years, inclusive. At present, the standard tax rate applicable to PRC Century is 15%.

On 16 March 2007, the National People's Congress approved the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law"), which will become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. Detailed implementation and administrative requirements relating to the New Corporate Income Tax Law have not yet been announced. These detailed requirements include regulations concerning the computation of taxable income, as well as specific preferential tax treatments and their transitional provisions. The Group will further evaluate the impact of the New Corporate Income Tax Law on its operating results and financial position of future periods as more detailed requirements are issued.

The share of tax attributable to associates amounting to approximately HK\$975,000 (2006: HK\$683,000) is included in "Share of profits and losses of associates" on the face of the condensed consolidated income statement.

Notes to Condensed Consolidated Interim Financial Statements

7. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of basic earnings per share amounts is based on the unaudited profit for the period attributable to ordinary equity holders of the parent of approximately HK\$10,386,000 (2006: HK\$10,971,000), and the weighted average number of 1,100,562,040 (2006: 1,100,562,040) ordinary shares in issue during the period.

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

Diluted earnings per share amounts for the six months ended 30 June 2006 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 2007 (2006: 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.

Notes to Condensed Consolidated Interim Financial Statements

9. Trade and Bills Receivables *(Continued)*

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

| | 30 June 2007 (Unaudited) HK\$'000 | 31 December 2006 (Audited) HK\$'000 |
|-----------------|--|--|
| Within 6 months | 335,028 | 259,939 |
| 7 – 12 months | 13,991 | 9,862 |
| 13 – 24 months | 3,974 | 3,838 |
| Over 24 months | — | 3,108 |
| | <u>352,993</u> | <u>276,747</u> |

Included in the Group's trade and bills receivables are amounts due from subsidiaries and associate of the substantial shareholders of approximately HK\$17,507,000 (2006: HK\$14,371,000), which are repayable on similar credit terms to those offered to the major customers of the Group.

10. Trade and Bills Payables

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

| | 30 June 2007 (Unaudited) HK\$'000 | 31 December 2006 (Audited) HK\$'000 |
|-----------------|--|--|
| Within 6 months | 482,044 | 496,067 |
| Over 6 months | 3,278 | 10,256 |
| | <u>485,322</u> | <u>506,323</u> |

Notes to Condensed Consolidated Interim Financial Statements

11. Related Party Transactions

(I) Transactions with related parties

- (a) On 10 January 2006, the Group entered into lease agreement with 北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder"), a substantial shareholder of the Company, to lease from Peking Founder office premise in Beijing, the PRC, effective from 1 January 2006 to 31 December 2008. During the period, rental and management fee expenses of approximately HK\$1,220,000 (six months ended 30 June 2006: HK\$865,000) were paid by the Group to Peking Founder. The directors considered that the rental and management fee expenses were paid in accordance with the terms of the lease agreement.
- (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. During the period, products of approximately HK\$7,380,000 (six months ended 30 June 2006: HK\$360,000) 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 the supplemental agreement with FHL to amend the cap amounts. The supplemental agreement is superseded by the revised supplemental agreement which was entered into between the Company and FHL on 5 December 2006. During the period, products of approximately HK\$32,949,000 (six months ended 30 June 2006: HK\$39,106,000) 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) As at 30 June 2007, Peking Founder guaranteed banking facilities given by the PRC banks to the Group of approximately HK\$400,530,000 (30 June 2006: HK\$356,843,000) which were utilised to the extent of approximately HK\$379,990,000 (30 June 2006: HK\$312,489,000).
- (e) As at 30 June 2007, Peking Founder guaranteed bank loan given by a PRC bank to the Group of approximately HK\$89,349,000 (30 June 2006: HK\$38,840,000).

* For identification purpose only

Notes to Condensed Consolidated Interim Financial Statements

11. Related Party Transactions *(Continued)*

(II) Outstanding balances with related parties

- (a) The balance due to Peking Founder included in other payables and accruals as at 31 December 2006 was approximately HK\$101,000. The balance was unsecured, interest-free and had no fixed terms of repayment.
- (b) Details of the Group's trade receivables balances with its related companies as at the balance sheet date are included in note 9 to the condensed consolidated interim financial statements.

(III) Compensation of key management personnel of the Group

| | For the six months ended 30 June | |
|---|-------------------------------------|---------------------------------|
| | 2007 (Unaudited) HK\$'000 | 2006 (Unaudited) HK\$'000 |
| Short term employee benefits | 680 | 430 |
| Post-employment benefits | 6 | 3 |
| Total compensation paid to key management personnel | 686 | 433 |

12. Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2007 (31 December 2006: Nil).

Other Information

Directors' Interests and Short Positions in Shares and Underlying Shares

At 30 June 2007, 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> | – | 231,039,000 | 231,039,000 | 20.99 |

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

The interests of the directors in the share options of the Company are separately disclosed under the section "Share option schemes" below.

Save as disclosed above, as at 30 June 2007, 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 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 spouse or minor children, or were any such rights exercised by them; or was the Company, its holding 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

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.

The following share options were outstanding under the 2001 Scheme and the 2002 Scheme at 1 January 2007 and at the end of the period:

| Name or category of participant | Number of share options outstanding as at 1 January 2007 and 30 June 2007 | Date of grant of share options* | Exercise period of share options | Exercise price of share options** HK\$ per share |
|---|---|---------------------------------|----------------------------------|--|
| 2001 Scheme | | | | |
| <i>Other employees</i> | | | | |
| In aggregate | 4,300,000 | 18.5.2001 | 18.5.2001 to 17.5.2011 | 0.450 |
| 2002 Scheme | | | | |
| <i>Directors</i> | | | | |
| Mr Zhang Zhao Dong | 8,000,000 | 6.2.2004 | 7.2.2004 to 5.2.2014 | 0.381 |
| <i>Other employees of substantial shareholder</i> | | | | |
| In aggregate | 5,500,000 | 2.1.2004 | 3.1.2004 to 31.12.2013 | 0.340 |
| <i>Other employees of the Group</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 | 40,000,000 | | | |

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

* The vesting period of the share options is from the date of the 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 2007, 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 | 363,265,000 | 33.00 |
| 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 | 33.00 |
| Founder Holdings Limited ("FHL") | | Directly beneficially owned | 363,265,000 | 33.00 |
| Shining Wisdom | 3 | Directly beneficially owned | 231,039,000 | 20.99 |
| Peking University Education Foundation | | Directly beneficially owned | 93,240,000 | 8.47 |
| Peking University Education Foundation | | Beneficiary of a trust | 2,330,000 | 0.21 |
| Mr. Yung Chih Shin, Richard | 4 | Through a controlled corporation | 76,426,000 | 6.94 |
| Ricwinco Investment Limited ("Ricwinco") | 4 | Directly beneficially owned | 76,426,000 | 6.94 |
| Ms Li Yong Hui | 5 | As trustee | 60,671,600 | 5.51 |
| Ms Ying Yu Ling | 5 | As trustee | 60,671,600 | 5.51 |
| F2 Consultant Limited | 5 | Owned as nominee | 60,671,600 | 5.51 |
| HSBC International Trustee Limited | 6 | Through a controlled corporation | 60,500,000 | 5.50 |
| Sun Hung Kai Properties Limited | 6 | Through a controlled corporation | 60,500,000 | 5.50 |
| Sunco Resources Limited | 6 | Through a controlled corporation | 60,500,000 | 5.50 |
| SUNeVision Holdings Ltd. | 6 | Through a controlled corporation | 60,500,000 | 5.50 |
| Hugh Profit Investments Ltd. | 6 | Through a controlled corporation | 60,500,000 | 5.50 |
| Well Drive Holdings Limited | | Directly beneficially owned | 60,500,000 | 5.50 |

* 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.
4. Mr Yung Chih Shin, Richard is interested in these shares through Ricwinco.
5. 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.
6. 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 2007, 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.

Compliance with the Code on Corporate Governance Practices

The Company has complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the accounting period covered by the interim report.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of the Company's directors, all the directors confirmed that they have complied with the required standard as set out in the Model Code throughout the accounting period covered by the interim report.

Other Information

Audit Committee

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company. These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2007 of the Group now reported have been reviewed by the audit committee.

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

Hong Kong
21 September 2007