



INTERIM
REPORT

2008



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: 00618
 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 2008, together with the comparative figures for the corresponding period in 2007. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

Overall Performance

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

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

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

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

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

Operating Review

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

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

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. In 2008, the Distribution Business was ranked the 5th place by Computer Information World (中國計算機報) among the top 100 information products distributors in the PRC's information products distribution business (2008年分銷商百強第五名) and awarded as the most reliable information products distributor (2008年最受渠道商信賴的IT分銷企業).

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

Prospects

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

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

Financial Review

Liquidity, financial resources and capital commitments

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

Management Discussion and Analysis

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

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

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

Treasury policies

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

Exposure to fluctuations in exchange rates and related hedges

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

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

Charges on assets

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

Contingent liabilities

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

Employee and Remuneration Policies

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

Condensed Consolidated Income Statement

For the six months ended 30 June 2008

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

Condensed Consolidated Balance Sheet

30 June 2008

	<i>Notes</i>	30 June 2008 (Unaudited) <i>HK\$'000</i>	31 December 2007 (Audited) <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		6,780	6,691
Goodwill		2,892	2,892
Interests in associates		<u>39,431</u>	<u>33,378</u>
Total non-current assets		<u>49,103</u>	<u>42,961</u>
CURRENT ASSETS			
Inventories		173,346	113,513
Trade and bills receivables	9	633,969	297,205
Prepayments, deposits and other receivables		149,904	148,738
Pledged deposits		116,003	95,751
Cash and cash equivalents		<u>195,354</u>	<u>296,286</u>
Total current assets		<u>1,268,576</u>	<u>951,493</u>
CURRENT LIABILITIES			
Trade and bills payables	10	804,045	559,249
Other payables and accruals		137,897	133,417
Interest-bearing bank and other borrowings		62,897	42,822
Tax payable		<u>6,045</u>	<u>478</u>
Total current liabilities		<u>1,010,884</u>	<u>735,966</u>
NET CURRENT ASSETS		<u>257,692</u>	<u>215,527</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		306,795	258,488
NON-CURRENT LIABILITIES			
Finance lease payable		<u>167</u>	<u>244</u>
Net assets		<u>306,628</u>	<u>258,244</u>
EQUITY			
Issued capital		110,606	110,606
Reserves		<u>196,022</u>	<u>147,638</u>
Total equity		<u>306,628</u>	<u>258,244</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

	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 2008	110,606	156,019	520,156	18,631	5,553	(552,721)	258,244
Exchange realignment	-	-	-	16,977	-	-	16,977
Total income for the period recognised directly in equity	-	-	-	16,977	-	-	16,977
Profit for the period	-	-	-	-	-	31,407	31,407
Total income for the period	-	-	-	16,977	-	31,407	48,384
At 30 June 2008	110,606	156,019	520,156	35,608	5,553	(521,314)	306,628
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

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008

	For the six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(119,853)	(120,342)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	(21,428)	80,032
NET CASH INFLOW FROM FINANCING ACTIVITIES	<u>17,078</u>	<u>48,210</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(124,203)	7,900
Cash and cash equivalents at beginning of period	296,286	168,710
Effect of foreign exchange rate changes, net	<u>23,271</u>	<u>3,808</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>195,354</u>	<u>180,418</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	194,851	180,418
Non-pledged time deposits with original maturity of less than three months when acquired	<u>503</u>	<u>-</u>
	<u>195,354</u>	<u>180,418</u>

Notes to Condensed Consolidated Interim Financial Statements

30 JUNE 2008

1. ACCOUNTING POLICIES

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

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

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

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

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

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

2. SEGMENT INFORMATION

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

Notes to Condensed Consolidated Interim Financial Statements

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3. OTHER INCOME AND GAINS

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

4. FINANCE COSTS

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

5. PROFIT BEFORE TAX

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

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

Notes to Condensed Consolidated Interim Financial Statements

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6. TAX

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

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

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

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

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

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

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

The calculation of diluted earnings per share amounts for the six months ended 30 June 2007 is based on the unaudited profit for the period attributable to ordinary equity holders of the parent of approximately HK\$10,386,000 and 1,108,315,580 ordinary shares, which was the weighted average of HK\$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.

Notes to Condensed Consolidated Interim Financial Statements

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8. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2008 (2007: 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 balance sheet date, based on the invoice date and net of provisions, is as follows:

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

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

Notes to Condensed Consolidated Interim Financial Statements

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10. TRADE AND BILLS PAYABLES

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

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

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.

On 31 July 2007, the Group entered into lease agreement with a subsidiary of Peking Founder, to lease 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. Further details of the transaction were set out in the announcement of the Company dated 13 May 2008.

During the period, rental and management fee expenses of approximately HK\$2,242,000 (six months ended 30 June 2007: HK\$1,220,000) were paid by the Group to Peking Founder. The directors consider that the rental and management fee expenses were paid in accordance with the terms of the lease agreement.

* For identification purpose only

Notes to Condensed Consolidated Interim Financial Statements

30 JUNE 2008

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 ending 31 December 2008 was passed at the special general meeting. Further details of the transactions were set out in the announcement of the Company dated 13 May 2008 and circular of the Company dated 30 May 2008.

During the period, products of approximately HK\$7,205,000 (six months ended 30 June 2007: HK\$7,380,000) 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\$76,005,000 (six months ended 30 June 2007: HK\$32,949,000) 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) During the period, sales of information products in an aggregate amount of approximately HK\$1,786,000 (six months ended 30 June 2007: Nil) to an associate of Peking Founder were made by the Group. The sales of products were made according to published prices and conditions similar to those offered to other customers of the Group.
- (e) As at 30 June 2008, Peking Founder guaranteed banking facilities given by the PRC banks to the Group of approximately HK\$747,840,000 (31 December 2007: HK\$529,232,000) which were utilised to the extent of approximately HK\$497,040,000 (31 December 2007: HK\$452,835,000).
- (f) As at 30 June 2008, Peking Founder guaranteed bank loan given by a PRC bank to the Group of approximately HK\$45,600,000 (31 December 2007: HK\$42,680,000).

Notes to Condensed Consolidated Interim Financial Statements

30 JUNE 2008

11. RELATED PARTY TRANSACTIONS *(continued)*

(II) Outstanding balances with related parties

- (a) The balance due from a subsidiary of FHL included in prepayments, deposits and other receivables was approximately HK\$2,093,000 (31 December 2007: HK\$3,090,000). The balance is unsecured, interest-free and has no fixed terms of repayment.
- (b) The balances due to the subsidiaries of Peking Founder included in other payables and accruals was approximately HK\$2,197,000 (31 December 2007: HK\$3,484,000). The balance is unsecured, interest-free and has no fixed terms of repayment.
- (c) 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

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	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Directors' fee, salaries, allowances and benefits in kind	328	680
Pension schemes contributions	6	6
Total compensation paid to key management personnel	334	686

12. CONTINGENT LIABILITIES

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

Other Information

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2008, 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 2008, 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.

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 2008 and at the end of the period:

Name or category of participant	Number of share options outstanding as at 1 January 2008 and 30 June 2008	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>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	34,500,000			

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 2008, 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	-	-
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	-	-
Mr. Yung Chih Shin, Richard	4	Through a controlled corporation	65,880,000	5.96	-	-
Ricwinco Investment Limited ("Ricwinco")	4	Directly beneficially owned	65,880,000	5.96	-	-
Ms Li Yong Hui	5	As trustee	60,671,600	5.49	-	-
Ms Ying Yu Ling	5	As trustee	60,671,600	5.49	-	-
F2 Consultant Limited	5	Owned as nominee	60,671,600	5.49	-	-
HSBC International Trustee Limited	6	Through a controlled corporation	60,500,000	5.47	-	-
Sun Hung Kai Properties Limited	6	Through a controlled corporation	60,500,000	5.47	-	-
Sunco Resources Limited	6	Through a controlled corporation	60,500,000	5.47	-	-
SUNeVision Holdings Ltd.	6	Through a controlled corporation	60,500,000	5.47	-	-
Hugh Profit Investments Ltd.	6	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.
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 2008, 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 2008, 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 2008, 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
26 September 2008