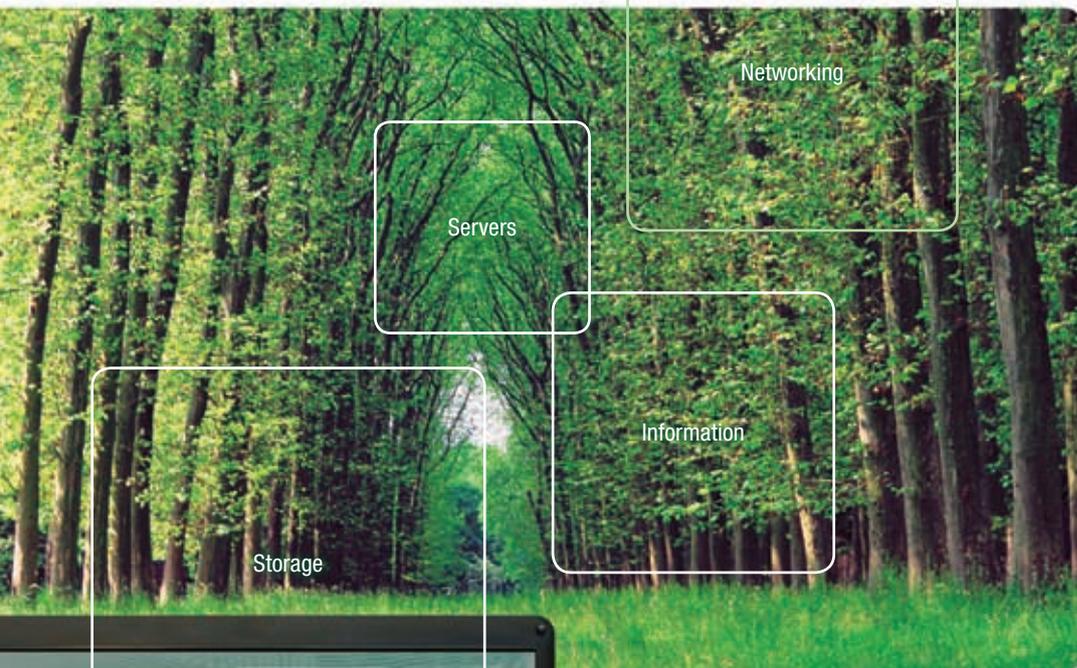




EC-FOUNDER (HOLDINGS) COMPANY LIMITED
方正數碼(控股)有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 00618



Storage

Servers

Networking

Information



2010
Interim Report

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

REGISTERED OFFICE

Canon's Court
 22 Victoria Street
 Hamilton HM12
 Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

SHARE REGISTRARS AND TRANSFER OFFICE

Principal registrars

Butterfield Fulcrum Group (Bermuda) Limited
 Rosebank Centre
 11 Bermudiana Road
 Pembroke 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
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 2010, together with the comparative figures for the corresponding period in 2009. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

Condensed Consolidated Income Statement

For the six months ended 30 June 2010

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

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

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

Condensed Consolidated Statement of Financial Position

30 June 2010

	<i>Notes</i>	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		6,353	5,093
Goodwill		2,892	2,892
Interests in associates		41,455	42,044
		<hr/>	<hr/>
Total non-current assets		50,700	50,029
CURRENT ASSETS			
Inventories		238,762	171,456
Trade and bills receivables	9	722,600	439,274
Prepayments, deposits and other receivables		161,241	192,808
Tax recoverable		-	28
Pledged deposits		223,032	178,051
Cash and cash equivalents		286,306	419,070
		<hr/>	<hr/>
Total current assets		1,631,941	1,400,687
CURRENT LIABILITIES			
Trade and bills payables	10	1,075,405	922,705
Other payables and accruals		183,749	180,601
Interest-bearing bank borrowings		97,897	26,880
Tax payable		1,649	-
		<hr/>	<hr/>
Total current liabilities		1,358,700	1,130,186
NET CURRENT ASSETS			
		<hr/>	<hr/>
Net assets		273,241	270,501
EQUITY			
Issued capital		110,606	110,606
Reserves		213,335	209,924
		<hr/>	<hr/>
Total equity		323,941	320,530
		<hr/>	<hr/>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Issued 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	Accumulated losses (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2010	110,606	156,019	520,156	29,228	9,019	(504,498)	320,530
Profit for the period	-	-	-	-	-	2,277	2,277
Other comprehensive income	-	-	-	1,134	-	-	1,134
Total comprehensive income	-	-	-	1,134	-	2,277	3,411
At 30 June 2010	<u>110,606</u>	<u>156,019</u>	<u>520,156</u>	<u>30,362</u>	<u>9,019</u>	<u>(502,221)</u>	<u>323,941</u>
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/[loss]	-	-	-	(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>

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(161,007)	(63,868)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	(47,225)	24,253
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>70,804</u>	<u>56,852</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(137,428)	17,237
Cash and cash equivalents at beginning of period	407,680	201,267
Effect of foreign exchange rate changes, net	<u>4,664</u>	<u>4,579</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>274,916</u>	<u>223,083</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>274,916</u>	<u>223,083</u>

Notes to Condensed Consolidated Interim Financial Statements

30 June 2010

1. ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2010 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2009, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period’s financial statements:

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

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

Notes to Condensed Consolidated Interim Financial Statements

30 June 2010

2. OPERATING SEGMENT INFORMATION

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

3. OTHER INCOME AND GAINS

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

4. FINANCE COSTS

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

Notes to Condensed Consolidated Interim Financial Statements

30 June 2010

5. PROFIT BEFORE TAX

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

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

6. INCOME TAX

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

No provision for Hong Kong profits tax has been made as the relevant subsidiaries either did not generate any assessable profits arising in Hong Kong during the period or have available tax losses brought forward from prior years to offset the assessable profits generated during the period (six months ended 30 June 2009: Nil).

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

The share of tax attributable to associates amounting to approximately HK\$448,000 (six months ended 30 June 2009: HK\$1,758,000) is included in "Share of profits and losses of associates" in the condensed consolidated income statement.

Notes to Condensed Consolidated Interim Financial Statements

30 June 2010

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

The calculation of basic earnings per share amounts for the six months ended 30 June 2010 is based on the unaudited profit for the period attributable to ordinary equity holders of the parent of approximately HK\$2,277,000 (six months ended 30 June 2009: HK\$17,365,000), and the weighted average number of 1,106,062,040 (six months ended 30 June 2009: 1,106,062,040) ordinary shares in issue during the period.

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

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

8. INTERIM DIVIDEND

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

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

30 June 2010

9. TRADE AND BILLS RECEIVABLES *(continued)*

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

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

Included in the Group's trade and bills receivables are amounts due from related companies of approximately HK\$149,186,000 (31 December 2009: HK\$75,092,000), which are repayable on similar credit terms to those offered to the major customers of the Group.

10. TRADE AND BILLS PAYABLES

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

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

Notes to Condensed Consolidated Interim Financial Statements

30 June 2010

11. RELATED PARTY TRANSACTIONS

(I) Transactions with related parties

- (a) On 13 November 2008, the Group entered into two lease agreements with a subsidiary of Peking University Founder Group Company Limited ("Peking Founder") to lease office premise in Beijing, the PRC, effective from 1 January 2009 to 31 December 2011.

During the period, rental and management fee expenses of approximately HK\$2,772,000 (six months ended 30 June 2009: HK\$2,753,000) 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.

- (b) On 15 December 2008, 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 2009 to 31 December 2011.

During the period, information products of approximately HK\$27,501,000 (six months ended 30 June 2009: HK\$23,603,000) 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 15 December 2008, 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 2009 to 31 December 2011. On 12 June 2009, the Group entered into a supplemental agreement with FHL to revise the annual caps for the three years ending 31 December 2011.

During the period, information products of approximately HK\$98,807,000 (six months ended 30 June 2009: HK\$112,323,000) 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 HP Master Agreement with FHL for the purchase of HP products from Founder Group for a term of three years from 1 January 2009 to 31 December 2011.

During the period, purchases of HP products and commission fee in the amounts of approximately HK\$182,859,000 (six months ended 30 June 2009: HK\$10,130,000) and HK\$440,000 (six months ended 30 June 2009: Nil) were paid to Founder Group.

Notes to Condensed Consolidated Interim Financial Statements

30 June 2010

11. RELATED PARTY TRANSACTIONS *(continued)*

(I) Transactions with related parties (continued)

- (e) On 12 June 2009, the Company entered into an entrusted loan master agreement with Peking Founder (the "Entrusted Loan Master Agreement"), pursuant to which the Group would provide short term loans through a financial institution to Peking Founder Group for the three years ending 31 December 2011. On 25 May 2010, the Group provided a six-month short term loan of approximately HK\$80,360,000 to a subsidiary of the Peking Founder and the related interest of approximately HK\$442,000 was earned by Group.

The entrusted loan and related interest receivable remained undue and were included in prepayments, deposits and other receivables as at 30 June 2010. The directors considered that the provision of the entrusted loan to Peking Founder Group was made in accordance with the Entrusted Loan Master Agreement. The loan is unsecured and bears an interest at the prevailing benchmark Renminbi lending rate offered by The People's Bank of China ("PBOC") plus 10% for the six month period.

- (f) As at 30 June 2010, Peking Founder guaranteed banking facilities given by the PRC banks to the Group of approximately HK\$1,280,020,000 (31 December 2009: HK\$789,613,000) which were utilised to the extent of approximately HK\$844,338,000 (31 December 2009: HK\$721,105,000).

The related party transactions in respect of items (a) to (e) 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\$7,311,000 (31 December 2009: HK\$1,115,000). 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\$501,000 (31 December 2009: Nil). 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\$2,081,000 (31 December 2009: HK\$590,000). 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.

Notes to Condensed Consolidated Interim Financial Statements

30 June 2010

11. RELATED PARTY TRANSACTIONS *(continued)*

(III) Compensation of key management personnel of the Group

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

	For the six months ended	
	30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Directors' fee, salaries, allowances and benefits in kind	578	340
Pension schemes contributions	<u>6</u>	<u>6</u>
Total compensation paid to key management personnel	<u>584</u>	<u>346</u>

12. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2010 (31 December 2009: Nil).

Management Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

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

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

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

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

Basic earnings per share attributable to equity holders of the parent for the current interim period was HK 0.21 cents (six months ended 30 June 2009: HK1.57 cents).

Management Discussion and Analysis

Operating Review and Prospects

Distribution of information products ("Distribution Business")

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

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

The Distribution Business has been awarded by various upstream vendors during the current interim period for its excellent partnership in terms of distribution channel, coverage, growth and overall performance in the PRC. The Group's principal subsidiary, Beijing Founder Century Information Systems Co., Ltd. ("PRC Century"), obtained the special honours of 2009 distributors best growth awards (2009年度分銷商獎—最佳成長獎) from CommScope in May 2010 and H3C excellent general agency awards (H3C優秀總代理獎) from H3C in March 2010. In addition, Simens authorised PRC Century as the sole distributor of HiPath1100 in the PRC (HiPath1100全國總包銷) in the strategic cooperation briefing held on 29 June 2010. This product provides the solutions for information transfer process which can increase the efficiency and minimise the cost of work in medium to small enterprises. The cooperation with systems integration services providers enables the Group to provide to the customers a more comprehensive solution.

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

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

Management Discussion and Analysis

Prospects

The Group is dedicated for a medium to long term development plan of maintaining a satisfactory growth in results and fulfilling its objective to enhance shareholders' value. The Distribution Business will continuously refine its product structure to avoid product overlapping and minimise market risk. The Group will focus on the distribution of information products with higher margin and exploring the more profitable value-added service business. Moreover, the management will also place stronger emphasis on operating cash flow, stringent control on working capital such as trade receivable and payables and inventory and cost management. The Group will continue to look for alliance with other international information products suppliers and investment opportunities.

Employee

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

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

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

Financial Review

Liquidity, financial resources and capital commitments

During the current interim period, the Group generally financed its operations with internally generated resources and banking facilities provided by its principal bankers in Hong Kong and the PRC. As at 30 June 2010, the Group had approximately HK\$97.9 million interest-bearing bank borrowings (31 December 2009: HK\$26.9 million), of which approximately HK\$63.2 million (31 December 2009: HK\$26.9 million) were fixed interest bearing and HK\$34.7 million (31 December 2009: Nil) were floating interest bearing. Bank borrowings are denominated in Renminbi ("RMB") and United States Dollars ("U.S. dollars") and repayable within one year. The Group's banking facilities were secured by corporate guarantees given by the Company and Peking University Founder Group Company Limited, the substantial shareholder of the Company.

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

Management Discussion and Analysis

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

At 30 June 2010, the Group did not have any material capital expenditure commitments.

Treasury policies

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

Exposure to fluctuations in exchange rates and related hedges

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

Material acquisitions and disposals of subsidiaries and associates

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

Charges on assets

As at 30 June 2010, bank deposits of approximately HK\$223.0 million were pledged to banks to secure general banking facilities granted.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2010 (31 December 2009: Nil).

Other Information

Directors' Interests and Short Positions in Shares and Underlying Shares

At 30 June 2010, 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>)	–	200,019,000	200,019,000	18.08

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 share 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>)	109,601,000	9.91

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 2010, 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 2010 and at the end of the period:

Name or category of participant	Number of share options outstanding as at 1 January 2010 and 30 June 2010	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	<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 2010, 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	200,019,000	18.08	109,601,000	9.91
富思特制漆(北京)有限公司	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	-	-

* For identification purpose only

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 109,601,000 shares of the Company held by Shining Wisdom are charged to 富思特制漆(北京)有限公司 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.

Other Information

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

Save as disclosed above, as at 30 June 2010, 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 2010, complied with the code provisions of the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

Model Code for Securities Transactions by Directors of the Company

The Company has adopted a model code of conduct regarding securities transactions by directors of the Company on terms no less exacting than the required standard as set out in the Model Code as set out in Appendix 10 of the Listing Rules.

Audit Committee

The Audit Committee has reviewed the Group's condensed consolidated interim financial statements for the six months ended 30 June 2010, including the accounting principles adopted by the Group, with the Company's management.

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

Hong Kong
27 August 2010