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

(Incorporated in Bermuda with limited liability)
(Stock code: 00618)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2013

The board of directors (the "Board") of EC-Founder (Holdings) Company Limited (the "Company") is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2013, together with the comparative figures for the corresponding period in 2012. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2013

	Notes	**30 June 2013 (Unaudited) *HK$'000***	31 December 2012 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**9,299**	7,849
Investment properties		**205,400**	–
Prepaid land lease payments		**11,197**	–
Goodwill		**2,892**	2,892
Other intangible assets		**19**	–
Investments in associates		**32,863**	34,990
Total non-current assets		**261,670**	45,731
CURRENT ASSETS			
Properties under development		**1,857,437**	–
Inventories		**193,774**	186,578
Trade and bills receivables	*8*	**620,617**	633,704
Prepayments, deposits and other receivables		**269,310**	80,390
Taxes recoverable		**25,087**	–
Pledged deposits		**133,762**	106,320
Cash and cash equivalents		**392,365**	291,994
Total current assets		**3,492,352**	1,298,986
CURRENT LIABILITIES			
Trade and bills payables	*9*	**659,026**	583,636
Other payables and accruals		**906,676**	170,011
Interest-bearing bank and other borrowings		**705,136**	262,695
Tax payable		**1,271**	–
Total current liabilities		**2,272,109**	1,016,342
NET CURRENT ASSETS		**1,220,243**	282,644
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,481,913**	328,375

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2013

1. ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2012, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements:

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

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

2. OPERATING SEGMENT INFORMATION

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

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

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

Geographic information

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

Information about a major customer

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

3. OTHER INCOME AND GAINS

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

4. FINANCE COSTS

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

* *For identification purpose only*

5. PROFIT/(LOSS) BEFORE TAX

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

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

6. INCOME TAX

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

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

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

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

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

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

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

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

Earnings

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

Number of shares

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

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

8. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Trade and bills receivables are settled in accordance with the terms of the respective contracts. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivables balances. Trade and bills receivables are non-interest-bearing.

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

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

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

9. TRADE AND BILLS PAYABLES

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

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

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

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

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

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

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

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

a. an increase in the gross profit of the distribution of information products business and property development and investment business by 18.5% to HK$79.0 million (six months ended 30 June 2012: HK$66.7 million);

b. gain on bargain purchase arising from the acquisition of subsidiaries engaged in property development and investment business of HK$128.6 million (six months ended 30 June 2012: Nil);

c. an increase in other operating expenses by HK$29.6 million to HK$29.0 million (six months ended 30 June 2012: other operating income of HK$0.6 million) as a result of increase in impairment of trade receivables and provision for late payment of Chinese customs duties and the fine;

d. an increase in finance costs by 32.2% to HK$26.3 million (six months ended 30 June 2012: HK$19.9 million) as a result of increase in bank and other borrowings; and

e. an increase in the share of losses of associates by HK$1.9 million to HK$2.1 million (six months ended 30 June 2012: HK$0.2 million) as a result of decline in sales of mobile phones distributed in Hong Kong.

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

Operating Review and Prospects

Real Estate Business

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

Property Development

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

PKU Resource – Li Cheng (北大資源一理城) project is erected on two various parcels of land located on the western side of Zhangjiagang River and the southern side of Yingbin Road, Bacheng Town, Kunshan city, Jiangsu province. The total site area of the project is 288,518 sq. m. Phase 1 comprises an arts exhibition center, a creative arts workshop, low-rise apartment buildings and auxiliary facilities. It has been launched for sale now. Phase II is under planning and will have a planned gross floor area of approximately 204,000 sq. m and will comprise an electronic arts complex and auxiliary business and residential buildings. Kunshan city is located in the southeastern part of Jiangsu province, adjacent to the border with the Shanghai Municipality, and is currently regarded as one of the most economically successful county-level administrations in China. It is expected that there will be a huge growth potential for Kunsan property industry as it is located in the most vigorous region in China. The receipt of advance payment from buyers of purchases of properties led to the increase in other payables and accruals as at 30 June 2013.

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

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

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

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

Property Investment

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

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

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

Distribution Business

Distribution of information products

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

The Distribution Business is mainly focused on the distribution of information products such as servers, printers, switches, networking products, storage devices, workstations and optical screen products of a number of internationally famed and branded information product manufacturers such as HP, H3C, CommScope, Brocade, Microsoft, Samsung, Corning, Lifesize and Iomega. The decrease in turnover during the current interim period is mainly attributable to the streamline of various product lines to concentrate the effort on product lines with higher profit margin and better trading terms in view of the intense competition in the distribution market.

The Distribution Business has been awarded by various upstream vendors during the current interim period for its excellent partnership in terms of distribution channel, coverage, growth and overall performance in the PRC. Lifesize granted the distribution rights of video conference systems products in the PRC to our Group's principal subsidiary, Beijing Founder Century Information Systems Co., Ltd.

As the business environment in the PRC is becoming more competitive and the unfavorable factors arising from the macro-control policies, the management strictly control operating costs and expenses leading to a decrease in total selling and distribution expenses and administrative expenses by 23.7% to HK$63.6 million during the current interim period (six months ended 30 June 2012: HK$83.4 million). The Distribution Business will continuously refine its product structure to avoid product overlapping and minimise market risk. The Group will focus on the distribution of information products with better trading terms and exploring the more profitable value-added service business.

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

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

Prospects

The Group is dedicated for a medium to long term development plan of maintaining a satisfactory growth in results and fulfilling its objective to enhance shareholders' value.

Distribution Business

The Distribution Business will continuously refine its product structure to avoid product overlapping and minimise market risk. The Group will focus on the distribution of information products with higher profit margin and exploring the more profitable value-added service business. Moreover, the management will also place stronger emphasis on operating cash flow, stringent control on working capital such as trade receivables and payables and inventory and cost management. The Group will continue to look for alliance with other international information products suppliers and investment opportunities.

Real Estate Business

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

Employee

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

The Group operates share option scheme for the purpose of providing incentives and rewards to eligible directors and employees of the Group who contribute to the success of the Group's operations. The Group granted share options to its eligible directors and employees during the current interim period.

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

Financial Review

Liquidity, financial resources and capital commitments

During the current interim period, the Group generally financed its operations with internally generated resources and banking facilities provided by its principal bankers in Hong Kong and the PRC. As at 30 June 2013, the Group had approximately HK$705.1 million interest-bearing bank and other borrowings (31 December 2012: HK$262.7 million). Bank and other borrowings are denominated in Renminbi ("RMB") and repayable within one year. The Group's banking facilities were guaranteed by the Company and Peking University Founder Group Company Limited.

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

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

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

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

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

Treasury policies

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

Exposure to fluctuations in exchange rates and related hedges

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

Material acquisitions and disposals of subsidiaries and associates

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

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

Charges on assets

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

Future plans for material investments or capital assets

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

Contingent liabilities

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

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUER (THE "MODEL CODE")

The Company has adopted a model code of conduct regarding securities transactions by directors of the Company on terms no less exacting than the required standard as set out in the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry by the Company, all directors have confirmed that they have complied with the Model Code regarding directors' securities transactions throughout the accounting period coverd by the interim report.

AUDIT COMMITTEE

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The 2013 interim report of the Company containing all the information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders of the Company and published on The Hong Kong Exchanges and Clearing Limited's website (www.hkexnews.hk) and the Company's website (www.irasia.com/listco/hk/ecfounder) in due course.

By Order of the Board
EC-Founder (Holdings) Company Limited
Yu Li
Chairwoman

Hong Kong
28 August 2013

As at the date of this announcement, the board of directors of the Company comprises executive directors of Ms Yu Li (Chairwoman), Mr Fang Hao (President), Mr Zhou Bo Qin, Mr Zhang Zhao Dong, Mr Xie Ke Hai and Mr Zheng Fu Shuang, and the independent non-executive directors of Mr Li Fat Chung, Ms Wong Lam Kit Yee and Ms Cao Qian.

* *For identification purpose only*