

**INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2007**

The board of directors (the “Board”) of EC-Founder (Holdings) Company Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim financial results and financial position of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2007, together with the comparative figures for the corresponding period in 2006. The condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company’s audit committee.

**CONDENSED CONSOLIDATED INCOME STATEMENT**

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

## CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		7,069	7,640
Goodwill		2,892	2,892
Interests in associates		<u>33,219</u>	<u>30,690</u>
Total non-current assets		<u>43,180</u>	<u>41,222</u>
 <b>CURRENT ASSETS</b>			
Inventories		130,781	120,929
Trade and bills receivables	8	352,993	276,747
Prepayments, deposits and other receivables		103,824	104,128
Pledged deposits		107,724	88,523
Cash and cash equivalents		<u>180,418</u>	<u>268,410</u>
Total current assets		<u>875,740</u>	<u>858,737</u>
 <b>CURRENT LIABILITIES</b>			
Trade and bills payables	9	485,322	506,323
Other payables and accruals		89,756	116,198
Interest-bearing bank and other borrowings		89,491	40,004
Tax payable		<u>776</u>	<u>268</u>
Total current liabilities		<u>665,345</u>	<u>662,793</u>
NET CURRENT ASSETS		210,395	195,944
TOTAL ASSETS LESS CURRENT LIABILITIES		253,575	237,166
 <b>NON-CURRENT LIABILITIES</b>			
Finance lease payables		<u>309</u>	<u>386</u>
Net assets		<u>253,266</u>	<u>236,780</u>
 <b>EQUITY</b>			
Issued capital		110,056	110,056
Reserves		<u>143,210</u>	<u>126,724</u>
Total equity		<u>253,266</u>	<u>236,780</u>

**Notes:**

**1. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2006, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period’s financial statements:

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

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

**2. SEGMENT INFORMATION**

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

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

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

### 3. OTHER INCOME

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

### 4. FINANCE COSTS

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

### 5. PROFIT BEFORE TAX

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

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

## 6. TAX

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

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

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

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

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

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

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

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

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

Diluted earnings per share amounts for the six months ended 30 June 2006 have not been disclosed as the impact of the outstanding share options did not have a dilutive effect.

## 8. 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, net of provisions, as at the balance sheet date is as follows:

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

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

## 9. TRADE AND BILLS PAYABLES

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

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

## INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2007 (2006: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overall Performance

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

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

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

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

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

- c. a decrease in the share of profit of an associate by 55.9% to HK\$2.5 million (Six months ended 30 June 2006: HK\$5.7 million).

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

## **Operating Review and Prospects**

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

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

The significant improvement in segment results was due to:

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

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

With the continuous improvement in operating efficiency, the segment result to turnover ratio has improved to 1.0% for the current interim period from 0.8% for the six months ended 30 June 2006. In light of the rapidly booming PRC economy, the Group believes that an effective risk control system is required in order to maintain its profitability and operating efficiency. In light of the business expansion for the Distribution Business, the strict financial control system has protected the Distribution Business from any material doubtful trade debts. The amount of impairment of trade receivables for the current interim period is merely HK\$1.5 million (Six months ended 30 June 2006: HK\$5.2 million). The Group's trade and bills



receivable and inventory turnover periods have improved from the six months ended 30 June 2006's 47.3 days and 22.9 days to the current interim period's 46.4 days and 19.6 days respectively. The working capital ratio for the Group stood at 1.32 as at 30 June 2007 (31 December 2006: 1.30) while the total liabilities to equity ratio also decreased to 2.63 as at 30 June 2007 (31 December 2006: 2.80).

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

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

## **Financial Review**

### *Liquidity, financial resources and capital commitments*

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

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

At 30 June 2007 and 31 December 2006, the Group did not have any material capital expenditure commitments.

### *Treasury policies*

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

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

Most of the Group's payables are denominated in Hong Kong dollars, Renminbi and United States dollars and the turnover of the Group are mainly denominated in Renminbi and United States dollars. As the exchange rates of Renminbi and United States dollars against Hong Kong dollars were relatively stable during the period under review, the Group's exposure to fluctuations in exchange rates is considered minimal and no financial instruments have been used for hedging purposes.

### *Charges on assets*

As at 30 June 2007, bank deposits of approximately HK\$107.7 million were pledged to banks to secure general banking facilities granted.

### *Contingent liabilities*

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

### **Employee and remuneration policies**

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

### **PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

### **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the six months ended 30 June 2007.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of the Company's directors, all the directors confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2007.

## **AUDIT COMMITTEE**

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

## **DISCLOSURE OF INFORMATION ON WEBSITE OF THE STOCK EXCHANGE**

The 2007 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 Stock Exchange's website (<http://www.hkex.com.hk>) and the Company's website (<http://www.irasia.com/listco/hk/ecfounder/index.htm>) in due course.

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

Hong Kong  
21 September 2007

*As at the date of this announcement, the Board of the Company comprises the executive directors of Mr Zhang Zhao Dong (Chairman), Mr Chen Geng (President), Mr Xia Yang Jun, 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*