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 2011

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 2011, together with the comparative figures for the corresponding period in 2010. 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 2011

	Notes	For the six months ended 30 June **2011** **(Unaudited)** ***HK$'000***	 2010 (Unaudited) *HK$'000*
REVENUE		**2,522,773**	2,090,516
Cost of sales		**(2,387,970)**	(1,998,961)
Gross profit		**134,803**	91,555
Other income and gains	*3*	**10,467**	4,304
Selling and distribution costs		**(67,817)**	(51,710)
Administrative expenses		**(56,234)**	(34,554)
Other operating income/(expenses), net		**362**	(3,377)
Finance costs	*4*	**(14,268)**	(1,677)
Share of profits and losses of associates		**(4,526)**	(589)
PROFIT BEFORE TAX	*5*	**2,787**	3,952
Income tax expense	*6*	**(4,614)**	(1,675)
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT		**(1,827)**	2,277
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*7*		
Basic		**HK(0.17) cents**	HK0.21 cents
Diluted		**HK(0.17) cents**	HK0.20 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit/(loss) for the period	**(1,827)**	2,277
Exchange differences on translation of foreign operations	**1,667**	1,134
Other comprehensive income for the period, net of tax	**1,667**	1,134
Total comprehensive income/(loss) for the period	**(160)**	3,411
Attributable to:		
Owners of the parent	**(160)**	3,411

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2011

	Notes	**30 June 2011 (Unaudited) *HK$'000***	31 December 2010 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**7,740**	6,913
Goodwill		**2,892**	2,892
Investments in associates		**34,171**	40,073
Total non-current assets		**44,803**	49,878
CURRENT ASSETS			
Inventories		**446,671**	544,925
Trade and bills receivables	*8*	**780,777**	666,076
Prepayments, deposits and other receivables		**523,546**	179,281
Tax recoverable		**–**	14
Pledged deposits		**205,789**	189,021
Cash and cash equivalents		**389,448**	500,832
Total current assets		**2,346,231**	2,080,149
CURRENT LIABILITIES			
Trade and bills payables	*9*	**1,330,151**	1,447,179
Other payables and accruals		**183,568**	227,134
Interest-bearing bank borrowings		**526,176**	106,225
Tax payable		**3,177**	1,367
Total current liabilities		**2,043,072**	1,781,905
NET CURRENT ASSETS		**303,159**	298,244
Net assets		**347,962**	348,122
EQUITY			
Issued capital		**110,606**	110,606
Reserves		**237,356**	237,516
Total equity		**347,962**	348,122

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2011

1. ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2011 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 2010, 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 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to *HKFRSs 2010*	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of amendments to HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

(a) HKAS 1 *Presentation of Financial Statements*: Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

(b) HKAS 27 *Consolidated and Separate Financial Statements*: Clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2. OPERATING SEGMENT INFORMATION

From management purpose, 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 operating segment analysis thereof is presented.

3. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**3,048**	3,349
Other interest income	**5,858**	442
Others	**1,561**	513
	10,467	4,304

4. FINANCE COSTS

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans	**14,268**	1,677

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**1,305**	989
Impairment/(reversal of impairment) of trade receivables	**(704)**	2,394
Provision for obsolete inventories	**9,893**	2,219

6. INCOME TAX

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – The People's Republic of China (the "PRC")	**4,614**	1,675

No provision for Hong Kong profits tax has been made as there were no assessable profits arising in Hong Kong during the period (six months ended 30 June 2010: 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$1,031,000 (six months ended 30 June 2010: HK$448,000) 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/(loss) per share amounts for the six months ended 30 June 2011 is based on the loss for the period attributable to ordinary equity holders of the parent of approximately HK$1,827,000 (six months ended 30 June 2010: a profit of HK$2,277,000), and the weighted average number of ordinary shares of 1,106,062,040 (six months ended 30 June 2010: 1,106,062,040) in issue during the period.

The calculation of diluted earnings/(loss) per share amounts for the six months ended 30 June 2011 is based on the loss for the period attributable to ordinary equity holders of the parent of approximately HK$1,827,000 (six months ended 30 June 2010: a profit of HK$2,277,000) and ordinary shares of 1,106,958,438 (six months ended 30 June 2010: 1,113,016,388), which was the weighted average number of ordinary shares of 1,106,062,040 (six months ended 30 June 2010: 1,106,062,040) in issue during the period and the weighted average number of ordinary shares of 896,398 (six months ended 30 June 2010: 6,954,348) deemed to have been issued at no consideration on the deemed exercise of all outstanding share options during the period.

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 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 2011 (Unaudited) ***HK$'000***	31 December 2010 (Audited) *HK$'000*
Within 6 months	**706,310**	**628,701**
6 to 12 months	**57,388**	**23,259**
Over 12 months	**17,079**	**14,116**
	780,777	**666,076**

Included in the Group's trade and bills receivables are amounts due from related companies of approximately HK$217,136,000 (31 December 2010: HK$84,880,000), 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 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 2011 (Unaudited) ***HK$'000***	31 December 2010 (Audited) *HK$'000*
Within 6 months	**1,323,113**	**1,439,973**
Over 6 months	**7,038**	**7,206**
	1,330,151	**1,447,179**

Included in the Group's trade and bills payables are amounts due to related companies of approximately HK$23,545,000 (31 December 2010: HK$85,614,000), which are repayable on similar credit terms to those offered by the related companies to their major customers.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

The Group reported a loss attributable to owners of the parent for the six months ended 30 June 2011 of HK$1.8 million (six months ended 30 June 2010: a profit of HK$2.3 million). The Group's revenue for the current interim period has increased by 20.7% to HK$2,522.8 million (six months ended 30 June 2010: HK$2,090.5 million). The Group's gross profit has increased by 47.2% to HK$134.8 million (six months ended 30 June 2010: HK$91.6 million) while the gross profit margin has increased from 4.4% for the six months ended 30 June 2010 to 5.3% in the current interim period. Total selling and distribution costs and administrative expenses for the current interim period has increased by 43.8% compared to the six months ended 30 June 2010.

The decline 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 by 47.2% to HK$134.8 million (six months ended 30 June 2010: HK$91.6 million);

b. an increase in total selling and distribution costs and administrative expenses by 43.8% to HK$124.1 million (six months ended 30 June 2010: HK$86.3 million);

c. an increase in finance costs by HK$12.6 million to HK$14.3 million (six months ended 30 June 2010: HK$1.7 million) as a result of increase in bank borrowings and interest rate;

d. an increase in the share of losses of associates to HK$4.5 million (six months ended 30 June 2010: HK$0.6 million) as a result of intense competition in the distribution of mobile phones and data products in Hong Kong; and

e. an increase in income tax expenses for the distribution of information products business by HK$2.9 million to HK$4.6 million (six months ended 30 June 2010: HK$1.7 million) as a result of increase in tax rate of a subsidiary in the PRC.

Basic and diluted loss per share attributable to equity holders of the parent for the current interim period were HK0.17 cents (six months ended 30 June 2010: basic earnings per share of HK0.21 cents) and HK0.17 cents (six months ended 30 June 2010: diluted earnings per share of HK0.20 cents), respectively.

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$2,522.8 million representing an increase of 20.7% as compared to last interim period. Gross profit for the Distribution Business has increased by 47.2% to HK$134.8 million for the current interim period (six months ended 30 June 2010: HK$91.6 million), and gross profit margin has increased to 5.3% for the current interim period as compared to 4.4% in the last interim period.

The Distribution Business is mainly focused on the distribution of information products such as servers, printers, switches, networking products, storage devices, workstations, mobile phones and optical screen products of a number of internationally famed and branded information products manufacturers such as HP, H3C, Apple, CommScope, Barco, Brocade, Hitachi, Epson and Iomega. The increase in turnover during the current interim period is mainly attributable to the increase in sales in various product lines such as Apple and H3C as a result of continuous launch of new products and more effort on the expansion of distribution network in the third tier cities. Despite of intense competition in the distribution market, the gross profit and gross profit margin have increased because of increase in effort to control cost of products and monitor the profit margin of each product line.

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 Best distribution channel development award (最佳渠道拓展獎), Best contribution in distribution of HP workstations award (惠普工作站最佳分銷貢獻獎), and Mobile workstation area authorised distributors certificate (移動工作站區域授權分銷商證書) by HP in January 2011. In March 2011, PRC Century obtained the Best Growth Award (最佳成長獎) from CommScope. In May 2011, PRC Century obtained the seventh in 2011 "500 China Computer Vendor-Distributor 100" (2011中國電腦商500強－分銷商100強) organised by Computer Partner World (電腦商報) in May 2011.

In addition, in January 2011, Simens authorised PRC Century as the sole distributor of HiPath1100 in the PRC (HiPath1100全國總包銷). In March 2011, Fujitsu authorised PRC Century as the sole distributor of Fujitsu PRIMERGY X 86 server. 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 and more value-added services are provided to the customer so as to generate 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 43.8% to HK$124.1 million during the current interim period (six months ended 30 June 2010: HK$86.3 million). The total selling and distribution costs and administrative expenses as a percentage to turnover has increased to 4.9% for the current interim period as compared with 4.1% in the last interim period. Our management will continue to impose strict control on expenses.

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 from the six months ended 30 June 2010's 50.0 days and 18.5 days to the current interim period's 51.6 days and 37.4 days, respectively. The increase in inventory turnover periods is mainly attributable to increase in inventory level of notebook and workstations resulted from an anticipation of increase in sales in the second half of the year which is normally the peak season of the industry. The current ratio for the Group as at 30 June 2011 was 1.15 (31 December 2010: 1.17).

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. 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 729 employees as at 30 June 2011 (31 December 2010: 739).

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 2011, the Group had approximately HK$526.2 million interest-bearing bank borrowings (31 December 2010: HK$106.2 million), of which approximately HK$463.9 million (31 December 2010: Nil) were fixed interest bearing and HK$62.3 million (31 December 2010: HK$106.2 million) 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 2011, the Group recorded total assets of approximately HK$2,391.0 million (31 December 2010: HK$2,130.0 million) which were financed by liabilities of approximately HK$2,043.1 million (31 December 2010: HK$1,781.9 million) and equity of approximately HK$347.9 million (31 December 2010: HK$348.1 million). The Group's net asset value per share as at 30 June 2011 was maintained at HK$0.31 (31 December 2010: HK$0.31).

The Group had total cash and bank balances of approximately HK$595.2 million as at 30 June 2011 (31 December 2010: HK$689.9 million). After deducting the Group's bank borrowings, the Group recorded net cash and bank balances of approximately HK$69.0 million as at 30 June 2011 (31 December 2010: HK$583.7 million). The increase in bank borrowings is attributable to the increase in borrowings in the PRC in view of the continuous increase in interest rate in the PRC and surplus cash requirement to finance the expansion of operation in the second half of the year. 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 2011, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders' equity, was 1.51 (31 December 2010: 0.31) while the Group's current ratio was 1.15 (31 December 2010: 1.17).

At 30 June 2011, 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 2011.

Charges on assets

As at 30 June 2011, bank deposits of approximately HK$205.8 million (31 December 2010: HK$189.0 million) were pledged to banks to secure general banking facilities granted.

Future plans for material investments or capital assets

The Group did not have any future plans for material investments or capital assets as at 30 June 2011.

Contingent liabilities

Certain associates of the Group, which are owned as to 36.69% by the Group, have tax disputes with Hong Kong Inland Revenue Department (the "IRD"), which had issued notices of additional tax assessments for the years of assessment from 2001/02 to 2004/05 demanding tax payments of approximately HK$13,820,000. Such associates of the Group had lodged objections against these assessments and made tax payments of approximately HK$3,025,000 during the six months ended 30 June 2011. Such associates of the Group are in the process of resolving the tax disputes with the IRD at the date of approval of these condensed consolidated interim financial statements. As at 30 June 2011, no provision had been made by the associates in respect of the abovementioned potential tax exposure of approximately HK$10,795,000. Should the tax disputes be settled in accordance with the abovementioned additional tax assessments, the share of additional tax of associates by the Group would be approximately HK$3,961,000.

Save as disclosed above, as at 30 June 2011, the Group did not have any significant contingent liabilities (31 December 2010: Nil).

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 2011, complied with the code provisions of the Code of Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 2011, including the accounting principles adopted by the Group, with the Company's management.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The 2011 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
Zhang Zhao Dong
Chairman

Hong Kong
26 August 2011

As at the date of this announcement, the board of directors of the Company comprises 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*