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 2012

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 2012, together with the comparative figures for the corresponding period in 2011. 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 2012

		For the six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE		**1,274,779**	2,522,773
Cost of sales		**(1,208,091)**	(2,387,970)
Gross profit		**66,688**	134,803
Other income and gains	3	**5,675**	10,467
Selling and distribution costs		**(64,029)**	(67,817)
Administrative expenses		**(23,326)**	(29,318)
Other operating income, net		**567**	362
Finance costs	4	**(19,854)**	(41,184)
Share of profits and losses of associates		**(171)**	(4,526)
PROFIT/(LOSS) BEFORE TAX	5	**(34,450)**	2,787
Income tax expense	6	**(177)**	(4,614)
LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT		**(34,627)**	(1,827)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic		**HK(3.13) cents**	HK(0.17) cents
Diluted		**HK(3.13) cents**	HK(0.17) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
LOSS FOR THE PERIOD	**(34,627)**	(1,827)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Exchange differences on translation of foreign operations	**(5,532)**	1,667
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT, NET OF TAX	**(5,532)**	1,667
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	**(40,159)**	(160)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2012

	Notes	**30 June 2012 (Unaudited) *HK$'000***	31 December 2011 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**9,379**	9,351
Goodwill		**2,892**	2,892
Investments in associates		**33,998**	34,169
Total non-current assets		**46,269**	46,412
CURRENT ASSETS			
Inventories		**265,275**	293,528
Trade and bills receivables	*8*	**510,237**	705,426
Prepayments, deposits and other receivables		**105,276**	345,660
Tax recoverable		**1,831**	288
Pledged deposits		**114,422**	81,178
Cash and cash equivalents		**240,408**	449,188
Total current assets		**1,237,449**	1,875,268
CURRENT LIABILITIES			
Trade and bills payables	*9*	**665,624**	828,146
Other payables and accruals		**106,867**	180,907
Interest-bearing bank borrowings		**205,300**	566,856
Tax payable		**–**	1,160
Total current liabilities		**977,791**	1,577,069
NET CURRENT ASSETS		**259,658**	298,199
TOTAL ASSETS LESS CURRENT LIABILITIES		**305,927**	344,611
NON-CURRENT LIABILITY			
Long term payable		**5,400**	5,400
Net assets		**300,527**	339,211
EQUITY			
Issued capital		**110,606**	110,606
Reserves		**189,921**	228,605
Total equity		**300,527**	339,211

1. ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2012 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 2011, 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 – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income taxes – Deferred Tax: Recovery of Underlying Assets*

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 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	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**1,757**	3,048
Other interest income	**3,916**	5,858
Others	**2**	1,561
	5,675	10,467

4. FINANCE COSTS

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans	**12,683**	14,268
Interest on discounted bills	**7,171**	26,916
	19,854	41,184

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	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**1,800**	1,305
Impairment/(reversal of impairment) of trade receivables	**8,267**	(704)
Provision for obsolete inventories	**8,537**	9,893
Write-back of other payables	**(8,863)**	–

6. INCOME TAX

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – The People's Republic of China (the "PRC")	**177**	4,614

No 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 2011: 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$404,000 (six months ended 30 June 2011: HK$1,031,000) is included in "Share of profits and losses of associates" in the condensed consolidated income statement.

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

The calculation of basic loss per share amount for the six months ended 30 June 2012 is based on the loss for the period attributable to ordinary equity holders of the parent of approximately HK$34,627,000 (six months ended 30 June 2011: HK$1,827,000), and the weighted average number of 1,106,062,040 (six months ended 30 June 2011: 1,106,062,040) ordinary shares in issue during the period.

No adjustment has been made to the basic loss per share amount presented for the period ended 30 June 2012 and 30 June 2011 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 2012 (Unaudited)	31 December 2011 (Audited)
	HK$'000	*HK$'000*
Within 6 months	**438,828**	612,476
7 to 12 months	**37,155**	64,349
13 to 24 months	**34,254**	28,601
	510,237	705,426

Included in the Group's trade and bills receivables are amounts due from subsidiaries of 北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder"), a substantial shareholder of the Company, of approximately HK$28,482,000 (31 December 2011: HK$85,591,000), and a subsidiary of Founder Holdings Limited ("FHL"), in which a 32.49% equity interest was held by Peking Founder, of approximately HK$370,000 (31 December 2011: HK$1,125,000), which are repayable on similar credit terms to those offered to the major customers of the Group.

* *For identification purpose only*

9. TRADE AND BILLS PAYABLES

	30 June 2012 (Unaudited) *HK$'000*	31 December 2011 (Audited) *HK$'000*
Trade payables	**172,334**	484,449
Bills payable	**493,290**	343,697
	665,624	828,146

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 2012 (Unaudited) *HK$'000*	31 December 2011 (Audited) *HK$'000*
Within 6 months	**631,734**	641,016
Over 6 months	**33,890**	187,130
	665,624	828,146

Included in the Group's trade and bills payables are amounts due to a subsidiary of Peking Founder of approximately HK$306,000 (31 December 2011: HK$2,371,000), and subsidiaries of FHL of approximately HK$181,000 (31 December 2011: HK$11,373,000), 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 90 days.

10. COMPARATIVE AMOUNTS

During the period, the directors of the Company have reviewed the components of the administrative expenses and considered it is more appropriate to reclassify the interest expenses on discounted bills from the administrative expenses to finance costs. Accordingly, a prior period adjustment has been made to reclassify the interest expenses on discounted bills of approximately HK$26,916,000 to finance costs in the condensed consolidated income statement for the six months ended 30 June 2011, to conform with the current period's presentation.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: 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 2012 of HK$34.6 million (six months ended 30 June 2011: HK$1.8 million). The Group's revenue for the current interim period has decreased by 49.5% to HK$1,274.8 million (six months ended 30 June 2011: HK$2,522.8 million). The Group's gross profit has decreased by 50.5% to HK$66.7 million (six months ended 30 June 2011: HK$134.8 million) while the gross profit margin was maintained at 5%. Total selling and distribution costs and administrative expenses for the current interim period has decreased by 10.1% compared to the six months ended 30 June 2011.

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

a. a decrease in the gross profit of the distribution of information products business by 50.5% to HK$66.7 million (six months ended 30 June 2011: HK$134.8 million);

b. a decrease in total selling and distribution costs and administrative expenses by 10.1% to HK$87.4 million (six months ended 30 June 2011: HK$97.1 million) as a result of better control on operating expenses;

c. a decrease in finance costs by 51.8% to HK$19.9 million (six months ended 30 June 2011: HK$41.2 million) as a result of decrease in bank borrowings and interest rate;

d. a decrease in the share of losses of associates by 96.2% to HK$0.2 million (six months ended 30 June 2011: HK$4.5 million) as a result of increase in variety of mobile phones and data products distributed in Hong Kong; and

e. a decrease in income tax expenses for the distribution of information products business by 96.2% to HK$0.2 million (six months ended 30 June 2011: HK$4.6 million) as a result of operating loss 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 HK3.13 cents (six months ended 30 June 2011: HK0.17 cents).

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$1,274.8 million representing a decrease of 49.5% as compared to last interim period. Gross profit for the Distribution Business has decreased by 50.5% to HK$66.7 million for the current interim period (six months ended 30 June 2011: HK$134.8 million), and gross profit margin was maintained at 5%.

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, CommScope, Barco, Brocade, Microsoft, Epson, Samsung, Corning 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 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. The Group's principal subsidiary, Beijing Founder Century Information Systems Co., Ltd. ("PRC Century"), obtained the special honours of 2011 Most Successful IT Distribution Chanel Vendor award (2011年最成功IT渠道供應商) in 2011 Service platform selection organised by China Market Intelligence Center (賽迪網) in February 2012. PRC Century also obtained the award of Financial year 2011 Best distribution of SWD product (FY11最佳SWD產品分銷獎) from HP in February 2012.

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 costs and administrative expenses by 10.1% to HK$87.4 million during the current interim period (six months ended 30 June 2011: HK$97.1 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 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 2011's 51.6 days and 37.4 days to the current interim period's 85.8 days and 41.6 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 increase in inventory turnover periods is mainly attributable to increase in inventory level of 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 2012 was 1.27 (31 December 2011: 1.19).

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 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 had not granted any share options to its eligible directors and employees during the current interim period.

The Group has approximately 574 employees as at 30 June 2012 (31 December 2011: 718).

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 2012, the Group had approximately HK$205.3 million interest-bearing bank borrowings (31 December 2011: HK$566.9 million). 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 2012, the Group recorded total assets of approximately HK$1,283.7 million (31 December 2011: HK$1,921.7 million) which were financed by liabilities of approximately HK$983.2 million (31 December 2011: HK$1,582.5 million) and equity of approximately HK$300.5 million (31 December 2011: HK$339.2 million). The Group's net asset value per share as at 30 June 2012 was maintained at HK$0.27 (31 December 2011: HK$0.31).

The Group had total cash and bank balances and pledged deposits of approximately HK$354.8 million as at 30 June 2012 (31 December 2011: HK$530.4 million). After deducting the Group's bank borrowings, the Group recorded net cash and bank balances of approximately HK$149.5 million as at 30 June 2012 (31 December 2011: net borrowings of HK$36.5 million). The decrease in bank borrowings is attributable to better utilisation of fund and the increase in discounted bills (included in trade and bills payables) in the PRC as a result of decline in interest rate of discounted bills during the period. Bills payable increased by HK$149.6 million to HK$493.3 million as at 30 June 2012 accordingly. 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 2012, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders' equity, was 0.68 (31 December 2011: 1.67) while the Group's current ratio was 1.27 (31 December 2011: 1.19).

At 30 June 2012, 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. 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 2012.

Charges on assets

As at 30 June 2012, bank deposits of approximately HK$114.4 million (31 December 2011: HK$81.2 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 2012.

Contingent liabilities

As at 30 June 2012, the Group did not have any significant contingent liabilities (31 December 2011: 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 2012, 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 2012, including the accounting principles adopted by the Group, with the Company's management.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The 2012 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
28 August 2012

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*