



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

(Incorporated in Bermuda with limited liability)

(Stock code: 00618)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

The Board of Directors (the “Board”) of EC-Founder (Holdings) Company Limited (the “Company”) is pleased to announce the consolidated results and financial position of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2007 together with the comparative figures.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	<i>Notes</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
REVENUE	2	2,724,686	2,314,811
Cost of sales		<u>(2,588,836)</u>	<u>(2,191,280)</u>
Gross profit		135,850	123,531
Other income and gains	3	6,616	4,088
Selling and distribution costs		(68,199)	(62,496)
Administrative expenses		(56,490)	(46,473)
Other expenses, net		(9,979)	(8,520)
Finance costs	4	(3,284)	(2,615)
Share of profits and losses of associates		<u>7,827</u>	<u>8,945</u>
PROFIT BEFORE TAX	5	12,341	16,460
Tax	6	<u>(1,506)</u>	<u>(1,528)</u>
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		<u>10,835</u>	<u>14,932</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic	7	<u>HK0.98 cents</u>	<u>HK1.4 cents</u>
– Diluted		<u>HK0.98 cents</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET

31 December 2007

	<i>Notes</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		6,691	7,640
Goodwill		2,892	2,892
Interests in associates		33,378	30,690
Total non-current assets		42,961	41,222
CURRENT ASSETS			
Inventories		113,513	120,929
Trade and bills receivables	8	297,205	276,747
Prepayments, deposits and other receivables		148,738	104,128
Pledged deposits		95,751	88,523
Cash and cash equivalents		296,286	268,410
Total current assets		951,493	858,737
CURRENT LIABILITIES			
Trade and bills payables	9	559,249	506,323
Other payables and accruals		133,417	116,198
Interest-bearing bank and other borrowings		42,822	40,004
Tax payable		478	268
Total current liabilities		735,966	662,793
NET CURRENT ASSETS		215,527	195,944
TOTAL ASSETS LESS CURRENT LIABILITIES		258,488	237,166
NON-CURRENT LIABILITIES			
Finance lease payable		244	386
Net assets		258,244	236,780
EQUITY			
Issued capital		110,606	110,056
Reserves		147,638	126,724
Total equity		258,244	236,780

Notes:

1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

1.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year’s financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material effect on these financial statements.

HKFRS 7	<i>Financial Instruments: Disclosures</i>
HKAS 1 Amendment	<i>Capital Disclosures</i>
HK(IFRIC)-Int 8	<i>Scope of HKFRS 2</i>
HK(IFRIC)-Int 9	<i>Reassessment of Embedded Derivatives</i>
HK(IFRIC)-Int 10	<i>Interim Financial Reporting and Impairment</i>

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

(a) **HKFRS 7 *Financial Instruments: Disclosures***

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group’s financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) **Amendment to HKAS 1 *Presentation of Financial Statements – Capital Disclosures***

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group’s objectives, policies and processes for managing capital.

(c) **HK(IFRIC)-Int 8 *Scope of HKFRS 2***

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group’s equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to the Group’s employees for identified services provided in accordance with the Group’s share option schemes, the interpretation has had no effect on these financial statements.

(d) HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

(e) HK(IFRIC)-Int 10 *Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

2. REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; and the value of services rendered during the year.

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2007 and 2006.

	Distribution of information products		Corporate and others		Consolidated	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Segment revenue:						
Sales to external customers	2,724,686	2,314,811	–	–	2,724,686	2,314,811
Other income and gains	3,248	1,348	–	340	3,248	1,688
Total	<u>2,727,934</u>	<u>2,316,159</u>	<u>–</u>	<u>340</u>	<u>2,727,934</u>	<u>2,316,499</u>
Segment results	<u>10,776</u>	<u>16,237</u>	<u>(6,346)</u>	<u>(8,507)</u>	<u>4,430</u>	<u>7,730</u>
Interest income					3,368	2,400
Finance costs					(3,284)	(2,615)
Share of profits and losses of associates					7,827	8,945
Profit before tax					12,341	16,460
Tax					(1,506)	(1,528)
Profit for the year					<u>10,835</u>	<u>14,932</u>

	Distribution of		Consolidated	
	information products		2007	2006
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets and liabilities				
Segment assets	946,255	854,710	946,255	854,710
Interests in associates	–	–	33,378	30,690
Corporate and other unallocated assets			14,821	14,559
			<u> </u>	<u> </u>
Total assets			994,454	899,959
			<u> </u>	<u> </u>
Segment liabilities	681,268	621,030	681,268	621,030
Corporate and other unallocated liabilities			54,942	42,149
			<u> </u>	<u> </u>
Total liabilities			736,210	663,179
			<u> </u>	<u> </u>
Other segment information:				
Depreciation	2,317	2,080	2,317	2,080
Corporate and other unallocated amounts			211	211
			<u> </u>	<u> </u>
			2,528	2,291
			<u> </u>	<u> </u>
Capital expenditure	1,127	3,138	1,127	3,138
Corporate and other unallocated amounts			–	710
			<u> </u>	<u> </u>
			1,127	3,848
			<u> </u>	<u> </u>

(b) Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2007 and 2006.

	Mainland China		Hong Kong		Eliminations		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	2,551,969	2,099,654	172,717	215,157	-	-	2,724,686	2,314,811
Intersegment sales	-	-	226,086	292,331	(226,086)	(292,331)	-	-
Other income and gains	2,730	1,348	518	340	-	-	3,248	1,688
Total	2,554,699	2,101,002	399,321	507,828	(226,086)	(292,331)	2,727,934	2,316,499

	Mainland China		Hong Kong		Consolidated			
	2007	2006	2007	2006	2007	2006		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Other segment information:								
Segment assets	882,487	733,538	63,768	121,172	946,255	854,710		
Capital expenditure	1,127	3,138	-	710	1,127	3,848		

3. OTHER INCOME AND GAINS

	2007	2006
	HK\$'000	HK\$'000
<u>Other income</u>		
Bank interest income	3,368	2,400
Government grants	1,840	1,019
Others	118	332
	5,326	3,751
<u>Gains</u>		
Others	1,290	337
	6,616	4,088

4. FINANCE COSTS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interest on bank loans	3,232	2,546
Interest on finance lease	<u>52</u>	<u>69</u>
	<u><u>3,284</u></u>	<u><u>2,615</u></u>

5. PROFIT BEFORE TAX

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Cost of inventories sold	2,503,462	2,069,381
Depreciation	2,528	2,291
Loss/(gain) on disposal of items of property, plant and equipment	<u>(41)</u>	<u>8</u>

6. TAX

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current — Hong Kong	—	8
Current — Elsewhere	<u>1,506</u>	<u>1,520</u>
Total tax charge for the year	<u><u>1,506</u></u>	<u><u>1,528</u></u>

No Hong Kong profits tax has been provided as there were no assessable profits arising in Hong Kong during the year. Hong Kong profits tax had been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the prior year.

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 year 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%.

The share of tax attributable to associates amounting to approximately HK\$2,044,000 (2006: HK\$2,303,000) is included in “Share of profits and losses of associates” on the face of the consolidated income statement.

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%. Pursuant to the New Corporate Income Tax Law, a 10% withholding tax will be levied on dividends declared to foreign investors from the PRC effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdictions of the foreign investors. On 22 February 2008, Caishui (2008) No. 1 was promulgated by the tax authorities to specify that dividends declared and remitted out of the PRC from the retained earnings as at 31 December 2007 are exempted from the withholding tax. 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.

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

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent of approximately HK\$10,835,000 (2006: HK\$14,932,000), and the weighted average number of 1,103,292,177 (2006: 1,100,562,040) ordinary shares in issue during the year.

The calculation of diluted earnings per share amounts for the year ended 31 December 2007 is based on the profit for the year attributable to ordinary equity holders of the parent of approximately HK\$10,835,000 and 1,107,009,820 ordinary shares, which was the weighted average of 1,103,292,177 ordinary shares in issue during the year and the weighted average of 3,717,643 ordinary shares deemed to have been issued at no consideration on the deemed exercise of all outstanding share options during the year.

A diluted earnings per share amount for the year ended 31 December 2006 had not been disclosed as the impact of the outstanding share options did not have a dilutive effect for the year.

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 as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within 6 months	285,857	259,939
7 — 12 months	7,412	9,862
13 — 24 months	3,936	3,838
Over 24 months	—	3,108
	<u>297,205</u>	<u>276,747</u>

9. TRADE AND BILLS PAYABLES

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within 6 months	558,428	496,067
Over 6 months	821	10,256
	<u>559,249</u>	<u>506,323</u>

DIVIDEND

No interim dividend was paid during the year and previous year. The Board does not recommend the payment of any final dividend for the year (2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

The Group reported a profit attributable to equity holders of the parent for the year ended 31 December 2007 of HK\$10.8 million (year ended 31 December 2006: HK\$14.9 million). The Group's revenue for the current year has increased by 17.7% to HK\$2,724.7 million compared to HK\$2,314.8 million for the year ended 31 December 2006. However, the Group has recorded a decrease in the gross profit margin from last year's 5.34% to the current year's 4.99%, gross profit has increased by 10.0% to HK\$135.9 million (year ended 31 December 2006: HK\$123.5 million).

Though revenue has recorded a moderate 17.7% growth in the current year, total selling and distribution costs and administrative expenses for the current year has increased by 14.4% compared to the year ended 31 December 2006.

The decrease in the Group's consolidated profit for the year attributable to the equity holders of the parent was mainly the net results of:

- a. a decrease in the segment profit of the distribution of information products business by 33.3% to HK\$10.8 million (year ended 31 December 2006: HK\$16.2 million);
- b. an decrease in segment loss for the corporate and others segment by 25.9% to HK\$6.3 million (year ended 31 December 2006: HK\$8.5 million);
- c. a decrease in the share of profits and losses of associates by 12.4% to approximately HK\$7.8 million (year ended 31 December 2006: HK\$8.9 million).

Basic earnings per share attributable to equity holders of the parent for the year was HK0.98 cents (year ended 31 December 2006: HK1.4 cents).

Operating Review and Prospects

Distribution of information products (“Distribution Business”)

The Group’s principal operating activity during the year is the distribution of information products business. The Distribution Business recorded a turnover of HK\$2,724.7 million representing an increase of 17.7% comparing to the last financial year, which exceeded the estimated average growth of the PRC information products and segment results for the year ended 31 December 2007 has decreased by 33.3% to HK\$10.8 million (year ended 31 December 2006: HK\$16.2 million). However, gross profit for the Distribution Business has recorded an increase of 10.0% to HK\$135.9 million for the year ended 31 December 2007 (year ended 31 December 2006: HK\$123.5 million) and gross profit ratio has decreased to 4.99% for the current year comparing to 5.34% for the year ended 31 December 2006.

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

During the second half of the current year, the Distribution Business segment has recorded a lower gross profit ratio of 4.77% comparing to 5.25% for the six months ended 30 June 2007. Besides the lower gross profit ratio for the second half of the current year, total selling and distribution costs and administrative expenses for the second half of the current financial year also increased by 26.7% from the first half of the current financial year. As a result, a segment loss of HK\$1.3 million was recorded for the second half of the current financial year comparing to the segment profits of HK\$12.0 million and HK\$7.4 million for the six months ended 30 June 2007 and the six months ended 31 December 2006 respectively. The increase in total selling and distribution costs and administrative expenses was mainly due to the increase in the number of headcount and increased marketing and selling effort for keeping a growth in turnover during the second half of the current year.

The Distribution Business has been awarded by various upstream vendors during the year for its excellent partnership in terms of distribution channel, coverage, growth and overall performance 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.

The operating environment of the Distribution Business in the PRC was very competitive, total selling and distribution costs and administrative expenses for the Distribution Business as a percentage to turnover has increased from 4.2% for the first half of the current financial year to 4.4% for the second half of the current financial year. With the increase in the headcount and a deteriorating operating environment in the PRC, selling and distribution costs and administrative expenses for the Distribution Business for the current financial year also increased by 9.1% and 33.3% respectively compared to the year ended 31 December 2006. To strike for continued expansion in operation, the Group has placed much effort on current assets management. The Group’s trade and bills receivables and inventory turnover periods have improved from 2006’s 41.9 days and 20.8 days to the current year’s 38.4 days and 16.5 days respectively. The working capital ratio for the Group as at 31 December 2007 was 1.29 (31 December 2006: 1.30).

As the business environment in the PRC is becoming more competitive and the unfavorable factors arising from the macro-control policies, the Group will be facing increasing operating costs and expenses. However, 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 minimize market risk. The Group will focus on the distribution of information products with higher margin and exploring the more profitable value-added service business.

Besides the implementation of an efficient and effective internal control system and the continuing provision of staff development programs, the Group is committed to strive for leadership in the information products distribution business in the PRC. Nevertheless, to enrich and widen the product range and improving the Group's profitability, the Group will continue to look for alliance with other international information products suppliers and investment opportunities. The Board and the management team are also devoted to sustain the Group's future growth and widen the revenue base for a better reward to the shareholders.

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 financial year.

Due to the increase in the size of operation of the Distribution Business, the Group has approximately 573 employees as at 31 December 2007 (31 December 2006: 526).

FINANCIAL REVIEW

Liquidity, financial resources and capital commitments

As at 31 December 2007, the Group recorded total assets of HK\$994.5 million (31 December 2006: HK\$900.0 million) which were financed by liabilities of HK\$736.2 million (31 December 2006: HK\$663.2 million) and equity of HK\$258.3 million (31 December 2006: HK\$236.8 million). The Group's net asset value as at 31 December 2007 increased by 9.1% to HK\$258.2 million as compared to approximately HK\$236.8 million as at 31 December 2006.

The Group had total cash and bank balances of HK\$392.0 million as at 31 December 2007 (31 December 2006: HK\$356.9 million). The Group had bank and other borrowings as at 31 December 2007 of HK\$43.1 million (31 December 2006: HK\$40.4 million), of which approximately HK\$42.8 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 HK\$348.9 million as at 31 December 2007 as compared to HK\$316.5 million as at 31 December 2006. As at 31 December 2007, the Group's current ratio was 1.29 (31 December 2006: 1.30).

As at 31 December 2007, 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 and borrowings are denominated in Hong Kong dollars, Renminbi and United States dollars while the sales of the Group are mainly denominated in Renminbi and United States dollars. The sales and purchases made by the subsidiary of the Group in the PRC are conducted in Renminbi and hence, the transactional currency exposure is minimal. As the exchange rates of United States dollars against Hong Kong dollars was relatively stable during the year under review, the Group's exposure to fluctuations in exchange rates is considered minimal and no financial instruments have been used for hedging purposes.

Material acquisitions and disposals of subsidiaries and associates

The Group had no material acquisition or disposals of subsidiaries and associates in 2007.

Charges on assets

As at 31 December 2007, bank deposits of approximately HK\$95.8 million were pledged to banks to secure general banking facilities granted.

Contingent liabilities

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

AUDIT COMMITTEE

The Audit Committee of the Board has reviewed the accounting policies, accounting standards and practices adopted by the Group and the consolidated financial statements and results of the Group for the year ended 31 December 2007.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company met with the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2007.

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 year.

By Order of the Board
EC-Founder (Holdings) Company Limited
Zhang Zhao Dong
Chairman

Hong Kong, 18 April 2008

As at the date of this announcement, the Board 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*