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 2010

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 2010 together with the comparative figures.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2010

	Notes	**2010** **HK$'000**	2009 HK$'000
REVENUE	4	**4,649,269**	3,812,755
Cost of sales		**(4,447,101)**	(3,635,616)
Gross profit		**202,168**	177,139
Other income and gains	4	**12,127**	9,262
Selling and distribution costs		**(110,624)**	(106,882)
Administrative expenses		**(76,079)**	(61,035)
Other operating income/(expenses), net		**(9,370)**	5,402
Finance costs	5	**(3,718)**	(1,986)
Share of profits and losses of associates		**2,157**	12,853
PROFIT BEFORE TAX	6	**16,661**	34,753
Income tax expense	7	**(898)**	(1,428)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		**15,763**	33,325
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		**HK1.43 cents**	HK3.01 cents
Diluted		**HK1.42 cents**	HK3.01 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**6,913**	5,093
Goodwill		**2,892**	2,892
Investments in associates		**40,073**	42,044
Total non-current assets		**49,878**	50,029
CURRENT ASSETS			
Inventories		**544,925**	171,456
Trade and bills receivables	*9*	**666,076**	439,274
Prepayments, deposits and other receivables		**179,281**	192,808
Tax recoverable		**14**	28
Pledged deposits		**189,021**	178,051
Cash and cash equivalents		**500,832**	419,070
Total current assets		**2,080,149**	1,400,687
CURRENT LIABILITIES			
Trade and bills payables	*10*	**1,447,179**	922,705
Other payables and accruals		**227,134**	180,601
Interest-bearing bank borrowings		**106,225**	26,880
Tax payable		**1,367**	–
Total current liabilities		**1,781,905**	1,130,186
NET CURRENT ASSETS		**298,244**	270,501
Net assets		**348,122**	320,530
EQUITY			
Issued capital		**110,606**	110,606
Reserves		**237,516**	209,924
Total equity		**348,122**	320,530

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.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions of First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009* and HK Interpretation 4 (Revised in December 2009), the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

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

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and further reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) *Improvements to HKFRSs 2009* issued in May 2009 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:

- HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- HKAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

  Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

3. OPERATING SEGMENT INFORMATION

For management purposes, 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.

Revenue from external customers based on the location of these customers is analysed as follows:

	2010	2009
	HK$'000	*HK$'000*
Hong Kong	**180,821**	95,057
Mainland China	**4,468,448**	3,717,698
	4,649,269	3,812,755

The geographical locations of the Group's non-current assets are analysed as follows:

	2010	2009
	HK$'000	*HK$'000*
Hong Kong	**42,966**	44,944
Mainland China	**6,912**	5,085
	49,878	50,029

The non-current asset information above is based on the location of assets.

Information about a major customer

During the year, there was no external customer accounted for 10% or more of the Group's total revenue (2009: Nil).

4. REVENUE, OTHER INCOME AND GAINS

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

An analysis of the Group's other income and gains is as follows:

	2010	2009
	HK$'000	*HK$'000*
Other income		
Bank interest income	**6,388**	7,052
Other interest income	**4,188**	628
Government grants *(Note)*	**439**	973
Others	**183**	195
	11,198	8,848
Gains		
Others	**929**	414
	12,127	9,262

Note: Various government grants have been received for the sale of software approved by the People's Republic of China (the "PRC") tax authority. The government grants have been recognised upon sale of approved software. There are no unfulfilled conditions or contingencies relating to these grants.

5. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	2010	2009
	HK$'000	*HK$'000*
Interest on bank loans	**3,718**	1,966
Interest on finance lease	**–**	20
	3,718	1,986

6. PROFIT BEFORE TAX

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

	2010	2009
	HK$'000	*HK$'000*
Cost of inventories sold	**4,403,231**	3,576,975
Depreciation	**2,234**	2,580
Gains on disposal of items of property, plant and equipment	**(78)**	–

7. INCOME TAX

	2010	2009
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong	**–**	–
Current – PRC		
Charge for the year	**1,632**	1,428
Overprovision in prior year	**(734)**	–
Total tax charge for the year	**898**	1,428

No Hong Kong profits tax has been provided as there were no assessable profits arising in Hong Kong during the year (2009: Nil).

Beijing Founder Century Information Systems Co., Ltd. ("PRC Century"), a wholly-owned subsidiary of the Company, was registered as a new and high technology enterprise, and is subject to PRC corporate income tax at a rate of 15% on its assessable profits.

The share of tax attributable to associates amounting to approximately HK$1,693,000 (2009: HK$3,885,000) is included in "Share of profits and losses of associates" in the consolidated income statement.

8. 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, and the weighted average number of 1,106,062,040 (2009: 1,106,062,040) ordinary shares in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent of approximately HK$15,763,000 and 1,109,796,384 ordinary shares, which was the weighted average of 1,106,062,040 ordinary shares in issue during the year and the weighted average of 3,734,344 ordinary shares deemed to have been issued at no consideration on the deemed exercise of all outstanding share options during the year.

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2009 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented for that year.

9. 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 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:

	2010	2009
	HK$'000	*HK$'000*
Within 6 months	**628,701**	401,537
7 to 12 months	**23,259**	15,853
13 to 24 months	**14,116**	21,884
	666,076	439,274

10. 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:

	2010	2009
	HK$'000	*HK$'000*
Within 6 months	**1,439,973**	909,882
Over 6 months	**7,206**	12,823
	1,447,179	922,705

The trade payables are non-interest-bearing and are normally settled on terms of 45 to 90 days.

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 (2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

During the year under review, the Group reported a profit attributable to equity holders of the parent for the year ended 31 December 2010 of HK$15.8 million (year ended 31 December 2009: HK$33.3 million). The Group's revenue for the current financial year has increased by 21.9% to HK$4,649.3 million compared to HK$3,812.8 million for the year ended 31 December 2009. Gross profit for the current financial year has increased by 14.2% to HK$202.2 million compared with last financial year's HK$177.1 million while the gross profit margin is maintained at 4% for both years. Total selling and distribution costs, and administrative expenses for the current year has increased by 11.2% compared to the year ended 31 December 2009.

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

a. an increase in the revenue of the distribution of information products business by 21.9% to HK$4,649.3 million (year ended 31 December 2009: HK$3,812.8 million);

b. an increase in total selling and distribution costs, and administrative expenses by 11.2% to HK$186.7 million (year ended 31 December 2009: HK$167.9 million); and

c. a decrease in the share of profits and losses of associates by 83.0% to approximately HK$2.2 million (year ended 31 December 2009: HK$12.9 million) as a results of intense competition in the distribution of mobile phones and data products in Hong Kong.

Basic and diluted earnings per share attributable to equity holders of the parent for the year was HK1.43 cents (year ended 31 December 2009: HK3.01 cents) and HK1.42 cents (year ended 31 December 2009: HK3.01 cents), respectively.

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$4,649.3 million representing an increase of 21.9% comparing to the last financial year. Gross profit for the Distribution Business also recorded an increase of 14.2% to HK$202.2 million for the year ended 31 December 2010 (year ended 31 December 2009: HK$177.1 million). Gross profit margin was maintained at 4% for both years.

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, CommScope, Barco, Brocade, Hitachi and Iomega.

The Distribution Business has been awarded by various upstream vendors during the current year for its excellent partnership in terms of distribution channel, coverage, growth and overall performance in the PRC. The Group's principal subsidiary, PRC Century, obtained the special honours of 2009 distributors best growth awards (2009年度分銷商獎—最佳成長獎) by CommScope in May 2010 and H3C excellent general agency awards (H3C 優秀總代理獎) by H3C in March 2010. The 2010 Best Service Award (最佳服務獎) was granted by HP in November 2010. In addition, Simens authorised PRC Century as the sole distributor of HiPath1100 in the PRC (HiPath1100全國總包銷) in the strategic corporation briefing held on 29 June 2010. This product provides the solutions for information transfer process which can increase the efficiency and minimise the cost of work in medium to small enterprises. The corporation with systems integration services providers enables the Group to provide to the customers a more comprehensive solution. PRC Century was also engaged to develop application systems such as the information resources sharing platform and call center monitoring system for various government departments and enterprises in the PRC.

To maintain its growth and profitability of the Distribution Business under the competitive operating environment in the PRC, the management continued to closely monitor the profitability and performance of each product line. More resources were put on the development of application solutions which generated higher gross profit margin. In addition, we further expanded our sales team and increased marketing and selling effort, so as to broaden our customer base and strengthen our position in the PRC's information products distribution business, resulting in the increase in total selling and administrative expenses.

To maintain continued expansion in operation, the Group has placed much effort on current assets management. The Group's trade and bills receivables turnover period has increased slightly from 2009's 38.9 days to the current year's 43.4 days due to the increase in sales in the fourth quarter of the year. Due to the stock in transit of HK$262.5 million from the suppliers before the current year end date, the inventory turnover periods has increased from 16.4 days in 2009 to 29.4 days in 2010. Most of the stock in transit were sold after the current year end date. The working capital ratio for the Group as at 31 December 2010 was maintained at 1.17 (31 December 2009: 1.24).

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

EMPLOYEES

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.

The Group has approximately 739 employees as at 31 December 2010 (31 December 2009: 731).

FINANCIAL REVIEW

Liquidity, financial resources and capital commitments

During the current financial year, 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 31 December 2010, the Group had approximately HK$106.2 million interest-bearing bank borrowings (31 December 2009: HK$26.9 million), of which nil (31 December 2009: HK$26.9 million) were fixed interest bearing and HK$106.2 million (31 December 2009: Nil) were floating interest bearing. Bank borrowings were 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.

At 31 December 2010, the Group recorded total assets of approximately HK$2,130.0 million (31 December 2009: HK$1,450.7 million) which were financed by liabilities of approximately HK$1,781.9 million (31 December 2009: HK$1,130.2 million) and equity of approximately HK$348.1 million (31 December 2009: HK$320.5 million). The Group's net asset value per share as at 31 December 2010 increased by approximately 6.9% to HK$0.31 as compared to approximately HK$0.29 as at 31 December 2009.

The Group had total cash and bank balances of approximately HK$689.9 million as at 31 December 2010 (31 December 2009: HK$597.1 million). After deducting the Group's bank borrowings, the Group recorded net cash and bank balances of approximately HK$583.7 million as at 31 December 2010 (31 December 2009: HK$570.2 million). The Group's borrowings, which are subject to little seasonality, consist of mainly short term bank loans and trust receipt loans. As at 31 December 2010, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders' equity, was 0.31 (31 December 2009: 0.08) while the Group's current ratio was maintained at 1.17 (31 December 2009: 1.24).

At 31 December 2010, 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 year 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 material acquisition or disposals of subsidiaries and associates in 2010.

Charges on assets

As at 31 December 2010, bank deposits of approximately HK$189.0 million (31 December 2009: HK$178.1 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 31 December 2010.

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 are in the process of resolving the tax disputes with the IRD at the date of this announcement. 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$5,071,000.

Save as disclosed above, as at 31 December 2010, the Group did not have any significant contingent liabilities (31 December 2009: 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 2010.

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 (the "Listing Rules") throughout the year ended 31 December 2010.

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") set out in Appendix 10 of the Listing Rules as the Company's code of conduct and rules governing dealings by all directors in the securities of the Company. Having made specific enquiry of all directors of the Company, they all confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2010.

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, 25 March 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*