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 2011

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 2011 together with the comparative figures.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
REVENUE	4	**5,400,140**	4,649,269
Cost of sales		**(5,136,292)**	(4,447,101)
Gross profit		**263,848**	202,168
Other income and gains	4	**28,092**	12,127
Selling and distribution costs		**(155,702)**	(110,624)
Administrative expenses		**(57,223)**	(43,166)
Other operating expenses, net		**(2,357)**	(9,370)
Finance costs	5	**(77,740)**	(36,631)
Share of profits and losses of associates		**(4,528)**	2,157
PROFIT/(LOSS) BEFORE TAX	6	**(5,610)**	16,661
Income tax expense	7	**(2,801)**	(898)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		**(8,411)**	15,763
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		**HK(0.76) cents**	HK1.43 cents
Diluted		**HK(0.76) cents**	HK1.42 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**9,351**	6,913
Goodwill		**2,892**	2,892
Investments in associates		**34,169**	40,073
Total non-current assets		**46,412**	49,878
CURRENT ASSETS			
Inventories		**293,528**	544,925
Trade and bills receivables	9	**705,426**	666,076
Prepayments, deposits and other receivables		**345,660**	179,281
Tax recoverable		**288**	14
Pledged deposits		**81,178**	189,021
Cash and cash equivalents		**449,188**	500,832
Total current assets		**1,875,268**	2,080,149
CURRENT LIABILITIES			
Trade and bills payables	10	**828,146**	1,447,179
Other payables and accruals		**180,907**	227,134
Interest-bearing bank borrowings		**566,856**	106,225
Tax payable		**1,160**	1,367
Total current liabilities		**1,577,069**	1,781,905
NET CURRENT ASSETS		**298,199**	298,244
TOTAL ASSETS LESS CURRENT LIABILITIES		**344,611**	348,122
NON-CURRENT LIABILITY			
Long term payable		**5,400**	–
Net assets		**339,211**	348,122
EQUITY			
Issued capital		**110,606**	110,606
Reserves		**228,605**	237,516
Total equity		**339,211**	348,122

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 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 HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasis a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

(b) *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 financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations:* The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

  The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 *Presentation of Financial Statements:* The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements:* The amendment 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.

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:

	2011	2010
	HK$'000	*HK$'000*
Hong Kong	**71,370**	180,821
Mainland China	**5,328,770**	4,468,448
	5,400,140	4,649,269

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

	2011	2010
	HK$'000	*HK$'000*
Hong Kong	**37,061**	42,966
Mainland China	**9,351**	6,912
	46,412	49,878

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 (2010: 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:

	2011	2010
	HK$'000	*HK$'000*
Other income		
Bank interest income	**8,337**	6,388
Other interest income	**14,713**	4,188
Government grants *(Note)*	**–**	439
Others	**348**	183
	23,398	11,198
Gains		
Foreign exchange differences, net	**4,117**	432
Others	**577**	497
	4,694	929
	28,092	12,127

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:

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Interest on bank loans	**33,896**	3,718
Interest on discounted bills	**43,844**	32,913
	77,740	36,631

6. PROFIT/(LOSS) BEFORE TAX

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

	2011	2010
	HK$'000	*HK$'000*
Cost of inventories sold	**5,109,247**	4,403,231
Depreciation	**2,800**	2,234
Gains on disposal of items of property, plant and equipment	**(11)**	(78)

7. INCOME TAX

	2011	2010
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong	**–**	–
Current – PRC		
Charge for the year	**2,801**	1,632
Overprovision in prior year	**–**	(734)
Total tax charge for the year	**2,801**	898

No Hong Kong profits tax has been provided as there were no assessable profits arising in Hong Kong during the year (2010: Nil).

Under the PRC income tax laws, enterprises are subject to PRC corporate income tax at a rate of 25% during the year ended 31 December 2011.

During the year ended 31 December 2010, Beijing Founder Century Information Systems Co., Ltd., a wholly-owned subsidiary of the Company, was registered as a new and high technology enterprise, and was 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$1,282,000 (2010: HK$1,693,000) is included in "Share of profits and losses of associates" in the consolidated income statement.

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of 1,106,062,040 (2010: 1,106,062,040) ordinary shares in issue during the year.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 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.

The calculation of diluted earnings per share amount for the year ended 31 December 2010 is based on the profit for the year attributable to ordinary equity holders of the parent of approximately 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 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. 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:

	2011	2010
	HK$'000	*HK$'000*
Within 6 months	**612,476**	628,701
7 to 12 months	**64,349**	23,259
13 to 24 months	**28,601**	14,116
	705,426	666,076

10. TRADE AND BILLS PAYABLES

	2011	2010
	HK$'000	*HK$'000*
Trade payables	**484,449**	676,288
Bills payable	**343,697**	770,891
	828,146	1,447,179

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:

	2011	2010
	HK$'000	*HK$'000*
Within 6 months	**641,016**	1,439,973
Over 6 months	**187,130**	7,206
	828,146	1,447,179

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

11. COMPARATIVE AMOUNTS

During the year, 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 year adjustment has been made to reclassify the interest expenses on discounted bills of approximately HK$32,913,000 to finance costs in the consolidated income statement for the year ended 31 December 2010, to conform with the current year's presentation.

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 (2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

During the year under review, the Group reported a loss attributable to equity holders of the parent for the year ended 31 December 2011 of HK$8.4 million (year ended 31 December 2010: profit of HK$15.8 million). The Group's revenue for the current financial year has increased by 16.2% to HK$5,400.1 million compared to HK$4,649.3 million for the year ended 31 December 2010. Gross profit for the current financial year has increased by 30.5% to HK$263.8 million compared with last financial year's HK$202.2 million while the gross profit margin has increased from 4.3% for the year ended 31 December 2010 to 4.9% for the current financial year. Total selling and distribution costs, and administrative expenses for the current year has increased by 38.5% compared to the year ended 31 December 2010.

The decline in the Group's operating results 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 16.2% to HK$5,400.1 million (year ended 31 December 2010: HK$4,649.3 million);

b. an increase in total selling and distribution costs, and administrative expenses by 38.5% to HK$212.9 million (year ended 31 December 2010: HK$153.8 million);

c. an increase in finance costs by HK$41.1 million to HK$77.7 million (year ended 31 December 2010: HK$36.6 million) as a result of increase in bank borrowings and interest rate;

d. an increase in the share of losses of associates to approximately HK$4.5 million (year ended 31 December 2010: profit of HK$2.2 million) as a results of intense competition in the distribution of mobile phones and data products in Hong Kong; and

e. an increase in income tax expense for the distribution of information products business by HK$1.9 million (year ended 31 December 2010: HK$0.9 million) as a result of an 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 year were HK0.76 cents (year ended 31 December 2010: basic earnings per share of HK1.43 cents) and HK0.76 cents (year ended 31 December 2010: diluted earnings per share of HK1.42 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$5,400.1 million representing an increase of 16.2% comparing to the last financial year. Gross profit for the Distribution Business also recorded an increase of 30.5% to HK$263.8 million for the year ended 31 December 2011 (year ended 31 December 2010: HK$202.2 million). Gross profit margin has increased from 4.3% for the year ended 31 December 2010 to 4.9% for the current financial year.

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 increase in turnover during the current year is mainly attributable to the increase in sales in various product lines 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 year 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. In January 2012, PRC Century was awarded as The Most Successful Supplier of IT Channel in 2011 (2011年最成功IT渠道供 商) in the Annual Review of Contribution to China's information industry (中国信息產業創新貢献年度評選活動) organised by CCID Media (賽迪傳媒).

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 2010's 43.4 days to the current year's 46.4 days due to the increase in sales in the fourth quarter of the year. The inventory turnover periods was maintained at around 29 days in both years. The working capital ratio for the Group as at 31 December 2011 was maintained at 1.19 (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. 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 granted share options to its eligible directors and employees during the current financial year.

The Group has approximately 718 employees as at 31 December 2011 (31 December 2010: 739).

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 2011, the Group had approximately HK$566.9 million interest-bearing bank borrowings (31 December 2010: HK$106.2 million) which 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 guaranteed by the Company and Peking University Founder Group Company Limited.

At 31 December 2011, the Group recorded total assets of approximately HK$1,921.7 million (31 December 2010: HK$2,130.0 million) which were financed by liabilities of approximately HK$1,582.5 million (31 December 2010: HK$1,781.9 million) and equity of approximately HK$339.2 million (31 December 2010: HK$348.1 million). The Group's net asset value per share as at 31 December 2011 and 2010 was maintained at HK$0.31.

The Group had total cash and bank balances of approximately HK$530.4 million as at 31 December 2011 (31 December 2010: HK$689.9 million). After deducting the Group's bank borrowings, the Group recorded net borrowings balances of approximately HK$36.5 million as at 31 December 2011 (31 December 2010: net cash and bank balances of HK$583.7 million). The Group's borrowings, which are subject to little seasonality, consist of mainly short term bank loans and trust receipt loans. The increase in bank borrowings was attributable to the increase in bank borrowings and reduction in the discounted bills (included in trade and bills payables) in the PRC in view of the higher interest rate of discounted bills as compared with that of bank borrowings in the PRC. Trade and bills payables declined by HK$619.0 million to HK$828.1 million as at 31 December 2011 accordingly. As at 31 December 2011, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders' equity, was 1.67 (31 December 2010: 0.31) while the Group's current ratio was maintained at 1.19 (31 December 2010: 1.17).

At 31 December 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 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 2011.

Charges on assets

As at 31 December 2011, bank deposits of approximately HK$81.2 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 31 December 2011.

Contingent liabilities

At 31 December 2011, the Group did not have any significant contingent liabilities.

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 2011.

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 2011.

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 2011.

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.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

The 2011 annual 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, 27 March 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*