1. CORPORATE INFORMATION

EC-Founder (Holdings) Company Limited is a limited liability company incorporated in Bermuda. The head office and principal place of business of the Company are located at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong.

During the year, the Group was principally engaged in the distribution of information products.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2006. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2.2 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 interpretation has had no material effect on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

The principal changes in accounting policies are as follows:

(a) HKAS 21 *The Effects of Changes in Foreign Exchange Rates*

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 December 2006 or 31 December 2005.

(b) HKAS 39 *Financial Instruments: Recognition and Measurement*

(i) *Amendment for financial guarantee contracts*

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*. The adoption of this amendment has had no material impact on these financial statements.

(ii) *Amendment for the fair value option*

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on these financial statements.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

(b) HKAS 39 *Financial Instruments: Recognition and Measurement* *(continued)*

(iii) *Amendment for cash flow hedge accounting of forecast intragroup transactions*

This amendment has revised HKAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transactions, the amendment has had no effect on these financial statements.

(c) HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*

The Group has adopted this interpretation as of 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This interpretation has had no material impact on these financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 *Financial Reporting in Hyperinflationary Economies*
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The 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 and also incorporates many of the disclosure requirements of HKAS 32.

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard requires the disclosure of information about the operating segments of the Group, the products and services provided by the segments, the geographical areas in which the Group operates, and revenues from the Group's major customers. This standard will supersede HKAS 14 *Segment Reporting*.

HK(IFRIC)-Int 7, HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10, HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1 March 2006, 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007 and 1 January 2008, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment and HKFRS 7 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

Goodwill arising on acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on the acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 *Segment Reporting*.

Impairment is determined by assessing the recoverable amount of the cash-generating units (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill *(continued)*

Prior to the adoption of the HKICPA's Statement of Standard Accounting Practice 30 "Business Combinations" ("SSAP 30") in 2001, goodwill arising on acquisition was eliminated against consolidated reserves in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against the consolidated reserves and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the income statement in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a member of the key management personnel of the Group or its parent;

(d) the party is a close member of the family of any individual referred to in (a) or (c); or

(e) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Furniture, fixtures and office equipment	12 $^1/_2$% — 33$^1/_3$%
Motor vehicles	10% — 30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases are charged to the income statement on the straight-line basis over the lease terms.

Financial assets

Financial assets in the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets *(continued)*

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Assets carried at amortised cost *(continued)*

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risk and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the fair value of the transferred asset and the option exercise price.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables and interest-bearing bank and other borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents *(continued)*

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including short term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, when the transactions have been completed in accordance with the terms of the contracts;

(c) from the disposal of items of property, plant and equipment, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group has no further substantial acts and/or continuing involvement to complete under the contracts; and

(d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

Share-based payment transactions

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Share-based payment transactions (continued)

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards that were granted on or before 7 November 2002, or granted after 7 November 2002, but have already vested before 1 January 2005.

Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. Contributions are made based on a percentage of the participating employees' salaries and are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs are recognised as expenses in the income statement in the period in which they are incurred.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING ESTIMATES

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment assessment of trade receivables

The policy for impairment assessment of trade receivables of the Group is based on the evaluation of collectability and aging analysis of trade receivables and on management's estimation. A considerable amount of estimation is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors are to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Provision for obsolete inventories

Management reviews the aging analysis of inventories of the Group at each balance sheet date, and provide provision for obsolete and slow-moving inventory items identified that are no longer suitable for sale. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes provision for obsolete items.

3. SIGNIFICANT ACCOUNTING ESTIMATES *(continued)*

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2006 was approximately HK$2,892,000 (2005: HK$2,892,000). More details are given in note 14.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unrecognised deductible temporary differences at 31 December 2006 was approximately HK$71,872,000 (2005: HK$61,042,000). Further details are contained in note 24 to the financial statements.

4. SEGMENT INFORMATION

Segment information presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments.

In determining the Group's geographical segments, revenue are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. SEGMENT INFORMATION *(continued)*

(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 2006 and 2005.

Group

	Distribution of information products		Corporate and others		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**2,314,811**	1,900,652	**—**	—	**2,314,811**	1,900,652
Other income and gains	**1,348**	293	**340**	228	**1,688**	521
Total	**2,316,159**	1,900,945	**340**	228	**2,316,499**	1,901,173
Segment results	**16,237**	20,773	**(8,507)**	(4,472)	**7,730**	16,301
Interest income					**2,400**	1,281
Finance costs					**(2,615)**	(814)
Share of profits and losses of associates					**8,945**	11,621
Profit before tax					**16,460**	28,389
Tax					**(1,528)**	(1,833)
Profit for the year					**14,932**	26,556

4. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

Group

	Distribution of information products		Consolidated	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Assets and liabilities				
Segment assets	**854,710**	750,430	**854,710**	750,430
Interests in associates	**—**	—	**30,690**	30,921
Corporate and other unallocated assets	**—**	—	**14,559**	10,788
Total assets			**899,959**	792,139
Segment liabilities	**621,030**	538,823	**621,030**	538,823
Corporate and other unallocated liabilities	**—**	—	**42,149**	38,468
Total liabilities			**663,179**	577,291
Other segment information:				
Depreciation	**2,080**	1,528	**2,080**	1,528
Corporate and other unallocated amounts	**—**	—	**211**	63
			2,291	1,591
Capital expenditure	**3,138**	1,266	**3,138**	1,266
Corporate and other unallocated amounts	**—**	—	**710**	21
			3,848	1,287

4. SEGMENT INFORMATION *(continued)*

(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 2006 and 2005.

Group	Mainland China		Hong Kong		Eliminations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**2,099,654**	1,735,682	**215,157**	164,970	**—**	—	**2,314,811**	1,900,652
Intersegment sales	**—**	—	**292,331**	253,713	**(292,331)**	(253,713)	**—**	—
Other income and gains	**1,348**	521	**340**	—	**—**	—	**1,688**	521
Total	**2,101,002**	1,736,203	**507,828**	418,683	**(292,331)**	(253,713)	**2,316,499**	1,901,173

Group	Mainland China		Hong Kong		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:						
Segment assets	**733,555**	672,114	**166,404**	120,025	**899,959**	792,139
Capital expenditure	**3,138**	1,266	**710**	21	**3,848**	1,287

5. 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; and the value of services rendered during the year.

An analysis of other income and gains is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Other income		
Bank interest income	**2,400**	1,281
Government grants *(Note)*	**1,019**	138
Others	**332**	155
	3,751	1,574
Gains		
Others	**337**	228
	4,088	1,802

Note: Various government grants have been received for the sale of software approved by 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.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Auditors' remuneration	**1,140**	1,030
Cost of inventories sold	**2,069,381**	1,683,967
Depreciation (note 13)	**2,291**	1,591
Impairment of trade receivables*	**8,506**	2,394
Provision and write-off/(reversal of provision) of obsolete inventories**	**(1,888)**	1,110
Operating lease rentals in respect of land and buildings	**4,793**	4,099
Employee benefits expense (including directors' remuneration — note 8):		
Wages and salaries	**43,500**	30,274
Pension scheme contributions***	**2,670**	1,975
	46,170	32,249
Foreign exchange differences, net	**2,100**	1,032
Loss on disposal of items of property, plant and equipment	**8**	45

* This item is included in "Other expenses, net" on the face of the consolidated income statement.

** This item is included in "Cost of sales" on the face of the consolidated income statement.

*** At 31 December 2006, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2005: Nil).

7. FINANCE COSTS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Interest on bank loans	**2,546**	814
Interest on finance lease	**69**	—
	2,615	814

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Fees	**360**	360
Other emoluments:		
Salaries, allowances and benefits in kind	**610**	—
Pension scheme contributions	**7**	—
	617	—
	977	360

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2006	2005
	HK$'000	*HK$'000*
Mr Li Fat Chung	**120**	120
Ms Wong Lam Kit Yee	**120**	120
Ms Cao Qian	**120**	90
Mr Yang Lin, Richard	**—**	30
	360	360

There were no other emoluments payable to the independent non-executive directors during the year (2005: Nil).

8. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors and a non-executive director

2006

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:				
Mr Zhang Zhao Dong	—	—	—	—
Mr Cheung Shuen Lung	—	—	—	—
Professor Wei Xin	—	—	—	—
Mr Xia Yang Jun	—	—	—	—
Mr Xie Ke Hai	—	—	—	—
Mr Chen Geng	—	610	7	617
Mr Zheng Fu Shuang	—	—	—	—
Non-executive director:				
Mr Yung Chih Shin, Richard	—	—	—	—
	—	610	7	617

No directors' remuneration was paid to executive directors and a non-executive director during the year ended 31 December 2005.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2005: Nil) director, details of whose remuneration are set out in note 8 to financial statements above. Details of the remuneration of the remaining four (2005: five) non-director, highest-paid employees for the year are as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Salaries, bonuses and benefits in kind	**2,229**	3,193
Pension scheme contributions	**127**	224
	2,356	3,417

The remuneration of the above non-director, highest-paid employees fell within the following band:

	Number of employees	
	2006	2005
Nil — HK$1,000,000	**4**	4
HK$1,000,001 — HK$1,500,000	**—**	1
	4	5

10. TAX

	Group	
	2006	2005
	HK$'000	*HK$'000*
Current — Hong Kong	**8**	12
Current — Elsewhere	**1,520**	1,821
Total tax charge for the year	**1,528**	1,833

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

10. TAX *(continued)*

The PRC corporate income tax provision 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$2,303,000 (2005: HK$2,753,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory rates for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group — 2006

	Hong Kong		Mainland China		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit/(loss) before tax	(1,588)		18,048		16,460	
Tax at the statutory tax rate	(278)	17.5	5,956	33.0	5,678	34.5
Lower tax rate for specific provinces or local authority	—	—	(4,606)	(25.5)	(4,606)	(28.0)
Profits and losses attributable to associates	(1,565)	98.5	—	—	(1,565)	(9.5)
Income not subject to tax	(186)	11.7	(249)	(1.4)	(435)	(2.6)
Expenses not deductible for tax	837	(52.7)	419	2.3	1,256	7.6
Tax losses utilised from previous periods	(25)	1.6	—	—	(25)	(0.2)
Tax losses not recognised	1,225	(77.1)	—	—	1,225	7.5
Tax charge at the Group's effective rate	8	(0.5)	1,520	8.4	1,528	9.3

10. TAX *(continued)*

Group — 2005

	Hong Kong		Mainland China		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit before tax	6,382		22,007		28,389	
Tax at the statutory tax rate	1,117	17.5	7,262	33.0	8,379	29.5
Lower tax rate for specific provinces or local authority	—	—	(5,572)	(25.3)	(5,572)	(19.6)
Profits and losses attributable to associates	(2,033)	(31.9)	—	—	(2,033)	(7.2)
Income not subject to tax	(92)	(1.4)	(10)	(0.1)	(102)	(0.4)
Expenses not deductible for tax	561	8.8	192	0.9	753	2.6
Tax losses utilised from previous periods	—	—	(51)	(0.2)	(51)	(0.1)
Tax losses not recognised	459	7.2	—	—	459	1.6
Tax charge at the Group's effective rate	12	0.2	1,821	8.3	1,833	6.4

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31 December 2006 includes a profit of approximately HK$22,122,000 (2005: HK$29,276,000) which has been dealt with in the financial statements of the Company (note 27(b)).

12. 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$14,932,000 (2005: HK$26,556,000), and the weighted average number of 1,100,562,040 (2005: 1,100,562,040) ordinary shares in issue during the year.

Diluted earnings per share amounts for the years ended 31 December 2006 and 2005 have not been disclosed as the impact of the outstanding share options did not have a dilutive effect for both years presented.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
31 December 2006			
At 31 December 2005 and at 1 January 2006:			
Cost	9,028	2,845	11,873
Accumulated depreciation	(5,351)	(604)	(5,955)
Net carrying amount	3,677	2,241	5,918
At 1 January 2006, net of accumulated depreciation	3,677	2,241	5,918
Additions	1,716	2,132	3,848
Disposals	(57)	—	(57)
Depreciation provided during the year	(1,781)	(510)	(2,291)
Exchange realignment	136	86	222
At 31 December 2006, net of accumulated depreciation	3,691	3,949	7,640
At 31 December 2006:			
Cost	8,364	5,087	13,451
Accumulated depreciation	(4,673)	(1,138)	(5,811)
Net carrying amount	3,691	3,949	7,640

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Group

	Furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
31 December 2005			
At 1 January 2005:			
Cost	7,665	3,055	10,720
Accumulated depreciation	(4,054)	(342)	(4,396)
Net carrying amount	3,611	2,713	6,324
At 1 January 2005, net of accumulated depreciation	3,611	2,713	6,324
Additions	1,287	—	1,287
Disposals	(21)	(213)	(234)
Depreciation provided during the year	(1,274)	(317)	(1,591)
Exchange realignment	74	58	132
At 31 December 2005, net of accumulated depreciation	3,677	2,241	5,918
At 31 December 2005:			
Cost	9,028	2,845	11,873
Accumulated depreciation	(5,351)	(604)	(5,955)
Net carrying amount	3,677	2,241	5,918

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Company

	Furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
31 December 2006			
At 31 December 2005 and 1 January 2006:			
Cost	233	—	233
Accumulated depreciation	(116)	—	(116)
Net carrying amount	117	—	117
At 1 January 2006, net of accumulated depreciation	117	—	117
Additions	4	706	710
Depreciation provided during the year	(35)	(176)	(211)
At 31 December 2006, net of accumulated depreciation	86	530	616
At 31 December 2006:			
Cost	237	706	943
Accumulated depreciation	(151)	(176)	(327)
Net carrying amount	86	530	616

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Company

	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2005			
At 1 January 2005:			
Cost	234	—	234
Accumulated depreciation	(92)	—	(92)
Net carrying amount	142	—	142
At 1 January 2005, net of accumulated depreciation	142	—	142
Additions	21	—	21
Disposals	(18)	—	(18)
Depreciation provided during the year	(28)	—	(28)
At 31 December 2005, net of accumulated depreciation	117	—	117
At 31 December 2005:			
Cost	233	—	233
Accumulated depreciation	(116)	—	(116)
Net carrying amount	117	—	117

The net book value of fixed assets of the Group and the Company held under finance lease included in the total amount of motor vehicles at 31 December 2006 amounted to approximately HK$530,000 (2005: Nil).

14. GOODWILL

	Group
	HK$'000
Cost, net of accumulated amortisation, at 1 January 2005 and 2006, 31 December 2005 and 2006	2,892

Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to the distribution of information products cash-generating unit, which is one of the reportable segments, for impairment testing. The recoverable amount of the distribution of information products cash-generating unit was determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by the directors. The discount rate applied to cash flow projections is 5% (2005: 5%).

Key assumptions were used in the value in use calculation of the distribution of information products cash generating unit for 31 December 2006 and 31 December 2005. The cash flow projection was based on the expected gross margins during the budget period. Budgeted gross margin has been determined based on past performance and management's expectation on market development. The discount rate used is before tax and reflect specific risks relating to the cash generating unit.

As further detailed in note 2.4 to the financial statements, the Group applied the transitional provisions of HKFRS 3 that permitted goodwill in respect of business combinations which occurred prior to 2001, to remain eliminated against consolidated reserves.

The amount of the goodwill remaining in consolidated contributed surplus as at 31 December 2006 and 2005, arising from the acquisition of subsidiaries prior to the adoption of SSAP 30 in 2001, was approximately HK$395,282,000 which was fully impaired in prior year.

15. INTERESTS IN SUBSIDIARIES

	Company 2006 HK$'000	2005 HK$'000
Unlisted shares, at cost	**450,071**	450,071
Due from subsidiaries	**287,737**	295,592
	737,808	745,663
Impairment	**(501,385)**	(531,893)
	236,423	213,770

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these amounts due from subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Founder Data Corporation International Limited	British Virgin Islands/ Hong Kong	Ordinary US$20,000	100	—	Investment holding
PRC Century*	Mainland China	Registered RMB150,000,000	—	100	Distribution of information products
Founder Century (Hong Kong) Limited	Hong Kong	Ordinary HK$2	—	100	Distribution of information products

* Registered as a wholly-foreign-owned enterprise under PRC law

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

16. INTERESTS IN ASSOCIATES

	Group 2006 HK$'000	2005 HK$'000
Share of net assets	**30,690**	30,921

Particulars of the principal associates are as follows:

Name	Particulars of issued shares held	Place of incorporation and operations	Percentage of ownership interest attributable to the Group	Principal activities
MC.Founder Limited*	Ordinary shares of HK$1 each	Hong Kong	36.69	Investment holding and distribution of mobile phones and data products
MC.Founder (Distribution) Limited*	Ordinary shares of HK$1 each	Hong Kong	36.69	Distribution of mobile phones and accessories, and provision of repair services
MC.Founder (Technology) Limited*	Ordinary shares of HK$1 each	Hong Kong	36.69	Sale of data products

* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

16. INTERESTS IN ASSOCIATES *(continued)*

The Group's shareholdings in the associates are held through a wholly-owned subsidiary of the Company.

All the above associates have been accounted for using the equity method in these financial statements.

The following table illustrates the summarised financial information of the Group's associates attributable to the Group extracted from their management accounts:

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Assets	**88,582**	74,179
Liabilities	**57,849**	43,223
Revenue	**452,483**	452,717
Profit after tax	**8,945**	11,621

17. INVENTORIES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Trading stocks	**120,929**	129,199

18. 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, net of provisions, as at the balance sheet date is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within 6 months	**259,939**	241,600
7 — 12 months	**9,862**	6,425
13 — 24 months	**3,838**	7,134
Over 24 months	**3,108**	—
	276,747	255,159

Included in the Group's trade and bills receivables are amounts due from subsidiaries and associate of the substantial shareholders of approximately HK$14,371,000 (2005: Nil), which are repayable on similar credit terms to those offered to the major customers of the Group. Included in the Group's trade and bills receivables as at 31 December 2005 were amounts due from fellow subsidiaries and related companies of approximately HK$6,389,000 and HK$1,243,000 respectively, which were repayable on similar credit terms to those offered to the major customers of the Group.

19. PLEDGED DEPOSITS

The Group's bank deposits were pledged to banks to secure the banking facilities granted to the Group. The carrying amounts of the pledged deposits approximate to their fair values.

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**149,138**	252,163	**14**	148
Time deposits	**119,272**	1,676	**1,861**	1,676
	268,410	253,839	**1,875**	1,824

At the balance sheet date, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to approximately HK$226,915,000 (2005: HK$241,885,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business in the PRC.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between seven days and six months depending on the immediate cash requirement of the Group, and earns interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents approximate to their fair values.

21. TRADE AND BILLS PAYABLES

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

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within 6 months	**496,067**	405,802
Over 6 months	**10,256**	1,105
	506,323	406,907

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

22. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2006			2005		
Group	**Effective interest rate (%)**	**Maturity**	***HK$'000***	Effective interest rate (%)	Maturity	*HK$'000*
Bank loan — unsecured	**5.946**	**2007**	**39,880**	5.859	2006	38,400
Finance lease payable (note 23)	**5.000**	**2007**	**124**			—
			40,004			38,400

The unsecured bank loan is repayable within one year and is guaranteed by 北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder"), a substantial shareholder of the Company. It is denominated in RMB.

The obligation under finance lease is secured by a motor vehicle of the Group with a net book value of approximately HK$530,000 as at 31 December 2006.

The carrying amount of the Group's bank and other borrowings approximates to its fair value. All borrowings of the Group bear interest at fixed interest rates.

* *For identification purpose only*

23. FINANCE LEASE PAYABLE

The Group and the Company lease its motor vehicle. This lease is classified as finance lease and has remaining lease term of four years.

At 31 December 2006, the total future minimum lease payments under finance lease and its present value was as follows:

Group and Company	Minimum lease payments 2006 HK$'000	Minimum lease payments 2005 HK$'000	Present value of minimum lease payments 2006 HK$'000	Present value of minimum lease payments 2005 HK$'000
Amounts payable:				
Within one year	176	—	124	—
In the second year	176	—	142	—
In the third to fifth years, inclusive	265	—	244	—
Total minimum finance lease payments	617	—	510	—
Future finance charges	(107)	—		
Total net finance lease payable	510	—		
Portion classified as current liabilities	(124)	—		
Non-current portion	386	—		

24. DEFERRED TAX

Deferred tax assets have not been recognised in respect of the following items:

	2006 HK$'000	2005 HK$'000
Tax losses	**66,944**	59,447
Impairment of trade receivables	**4,540**	1,557
General provision for obsolete inventories	**388**	38
	71,872	61,042

The unused tax losses include an amount of approximately HK$2,257,000 (2005: HK$2,331,000) arising in Mainland China that is due to expire within one to five years for offsetting against future taxable profits of the company in which the losses arose. Deferred tax assets have not been recognised in respect of the unused tax losses and other deductible temporary differences as they have arisen in subsidiaries that have not generated any assessable profits for some time.

At 31 December 2006, there was no significant unrecognised deferred tax liability (2005: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries and associates as the Group has no liability to additional tax should such amounts be remitted due to the availability of double tax relief.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

25. SHARE CAPITAL

	Group and Company	
	2006 HK$'000	2005 HK$'000
Authorised:		
3,000,000,000 ordinary shares of HK$0.10 each	**300,000**	300,000
Issued and fully paid:		
1,100,562,040 ordinary shares of HK$0.10 each	**110,056**	110,056

26. SHARE OPTION SCHEMES

On 24 May 2002, the Company adopted a share option scheme (the "2002 Scheme") in compliance with Chapter 17 of the Listing Rules. The purpose of the 2002 Scheme is to recognise and acknowledge the contributions or potential contributions made or to be made by the participants to the Group, to motivate the participants to optimise their performance and efficiency for the benefit of the Group, and to maintain or attract business relationships with participants whose contributions are or may be beneficial to the growth of the Group. Eligible participants of the 2002 Scheme include (i) any part-time or full-time employee or officer of any member of the Group or of any substantial shareholder of the Company or of any associated company of the Company; (ii) any substantial shareholder of the Company; (iii) the chief executive or director (executive, non-executive or independent non-executive) of any member of the Group or of any substantial shareholder of the Company or of any associated company of the Company; or (iv) any supplier, agent, customer, partner or business associate of, or adviser or consultant to, any member of the Group. The 2002 Scheme became effective on 24 May 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the 2002 Scheme is an amount equivalent, upon their exercise, to 10% of the total number of shares of the Company in issue as at the date when the 2002 Scheme was approved by the shareholders of the Company in a general meeting. The maximum number of shares issuable under share options to each eligible participant in the 2002 Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options is deemed to have been accepted when the duplicate offer letter comprising the acceptance of the options is signed and upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors and ends on a date which is not later than ten years from the date of offer of the share options.

26. SHARE OPTION SCHEMES *(continued)*

The exercise price of the share options is determinable by the directors, but should be the highest of (i) the closing price of the shares of the Company as stated in the daily quotation sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of offer of the share options; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the shares of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The share option schemes adopted by the Company on 11 September 1991 (the "1991 Scheme") and 7 May 2001 (the "2001 Scheme") were terminated on 24 May 2002, however, the options granted under the 1991 Scheme and the 2001 Scheme remain in full force and effect.

The following share options were outstanding under the 1991 Scheme, the 2001 Scheme and the 2002 Scheme at 1 January 2006 and at the end of the year:

	Number of share options					
Name or category of participant	At 1 January 2006	Lapsed during the year	At 31 December 2006	Date of grant of share options *	Exercise period of share options	Exercise price of share options ** *HK$ per share*
1991 Scheme						
Other employees						
In aggregate	2,700,000	(2,700,000)	—	18.5.2001	15.12.2001 to 14.12.2006	0.450
2001 Scheme						
Directors						
Mr Cheung Shuen Lung#	2,000,000	—	2,000,000	18.5.2001	18.5.2001 to 17.5.2011	0.450
Professor Wei Xin#	2,000,000	—	2,000,000	18.5.2001	18.5.2001 to 17.5.2011	0.450
Subtotal	4,000,000	—	4,000,000			
Other employees						
In aggregate	300,000	—	300,000	18.5.2001	18.5.2001 to 17.5.2011	0.450
Total under the 2001 Scheme	4,300,000	—	4,300,000			

26. SHARE OPTION SCHEMES *(continued)*

Name or category of participant	Number of share options: At 1 January 2006	Lapsed during the year	At 31 December 2006	Date of grant of share options *	Exercise period of share options	Exercise price of share options ** *HK$ per share*
2002 Scheme						
Directors						
Mr Zhang Zhao Dong	8,000,000	—	8,000,000	6.2.2004	7.2.2004 to 5.2.2014	0.381
Mr Cheung Shuen Lung#	8,000,000	—	8,000,000	6.2.2004	7.2.2004 to 5.2.2014	0.381
Professor Wei Xin#	8,000,000	—	8,000,000	6.2.2004	7.2.2004 to 5.2.2014	0.381
Subtotal	24,000,000	—	24,000,000			
Other employee of the substantial shareholder						
In aggregate	16,500,000	(11,000,000)	5,500,000	2.1.2004	3.1.2004 to 31.12.2013	0.340
Other employees of the Group						
In aggregate	10,500,000	—	10,500,000	2.1.2004	3.1.2004 to 31.12.2013	0.340
Total under the 2002 Scheme	51,000,000	(11,000,000)	40,000,000			

Notes to the reconciliation of share options outstanding during the year:

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

Mr Cheung Shuen Lung and Professor Wei Xin retired as the directors of the Company at the annual general meeting on 22 May 2006.

26. SHARE OPTION SCHEMES *(continued)*

2001 Scheme

At the balance sheet date, the Company had 4,300,000 share options outstanding under the 2001 Scheme. The exercise in full of the remaining share options under the 2001 Scheme would, under the present capital structure of the Company, result in the issue of 4,300,000 additional ordinary shares of the Company and additional share capital of HK$430,000 and share premium of HK$1,505,000 (before issue expenses).

2002 Scheme

At the balance sheet date, the Company had 40,000,000 share options outstanding under the 2002 Scheme. The exercise in full of the remaining share options under the 2002 Scheme would, under the present capital structure of the Company, result in the issue of 40,000,000 additional ordinary shares of the Company and additional share capital of HK$4,000,000 and share premium of HK$10,584,000 (before issue expenses).

27. RESERVES

(a) Group

	Share premium account	Contributed surplus	Exchange fluctuation reserve	General reserve	Retained profits/ (accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2005	154,699	520,156	(107)	—	(599,489)	75,259
Exchange realignment	—	—	2,977	—	—	2,977
Profit for the year	—	—	—	—	26,556	26,556
Transfer to general reserve	—	—	—	2,867	(2,867)	—
At 31 December 2005 and beginning of year	154,699	520,156	2,870	2,867	(575,800)	104,792
Exchange realignment	—	—	7,000	—	—	7,000
Profit for the year	—	—	—	—	14,932	14,932
Transfer to general reserve	—	—	—	1,691	(1,691)	—
At 31 December 2006	154,699	520,156	9,870	4,558	(562,559)	126,724

27. RESERVES *(continued)*

(a) Group *(continued)*

The contributed surplus of the Group represents the difference between the nominal value of the Company's share capital issued as consideration in exchange for the nominal value of the issued share capital of the subsidiaries acquired.

In accordance with the relevant PRC regulations, each of the Group's PRC subsidiaries and associates is required to transfer not less than 10% of its profit after tax, as determined in accordance with PRC accounting standards and regulations, to the general reserve until such reserve reaches 50% of its registered capital. The quantum of the annual transfer is subject to the approval of the board of directors of the PRC subsidiaries and associates in accordance with their articles of association.

During the year, a PRC subsidiary transferred approximately HK$1,691,000 (2005: HK$2,867,000), which represented 10% of the PRC subsidiary's profit after tax for the year ended 31 December 2006 as determined in accordance with the PRC accounting standards, to the general reserve.

(b) Company

	Share premium account	Contributed surplus	Retained profits/ (accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2005	154,699	528,980	(608,420)	75,259
Profit for the year	—	—	29,276	29,276
At 31 December 2005 and beginning of year	154,699	528,980	(579,144)	104,535
Profit for the year	—	—	22,122	22,122
At 31 December 2006	154,699	528,980	(557,022)	126,657

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its shareholders out of the contributed surplus in certain circumstances.

28. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transaction

During the year, the Group entered into a finance lease arrangement in respect of property, plant and equipment with a total capital value at the inception of the lease of approximately HK$706,000 (2005: Nil).

29. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Company	
	2006	2005
	HK$'000	*HK$'000*
Guarantees given to banks in connection with facilities granted to a subsidiary	**15,000**	—
Guarantees given to suppliers in connection with credit facilities granted to a subsidiary	**31,405**	9,600
	46,405	9,600

As at 31 December 2006, the banking facilities granted to the subsidiary subject to guarantees given to the banks by the Company were not utilised (2005: Nil).

As at 31 December 2006, the guarantees given to suppliers in connection with credit facilities granted to a subsidiary by the Company were utilised to the extent of approximately HK$29,164,000 (2005: HK$4,800,000).

The Group did not have any significant contingent liabilities as at 31 December 2006 (2005: Nil).

30. OPERATING LEASE ARRANGEMENTS AS LESSEE

The Group leases certain of its office properties under operating lease arrangements, which are negotiated for terms ranging from one year to three years.

At 31 December 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within one year	**5,054**	1,179
In the second to fifth years, inclusive	**4,969**	485
	10,023	1,664

31. RELATED PARTY TRANSACTIONS

(I) Transactions with related parties

In addition to the related party transactions and balances disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

(a) On 10 January 2006, the Group entered into lease agreement with Peking Founder, to lease from Peking Founder office premise in Beijing, the PRC, effective from 1 January 2006 to 31 December 2008. During the year, rental and management fee expenses of approximately HK$1,938,000 (2005: HK$1,935,000) were paid by the Group to Peking Founder. The directors consider that the rental and management fee expenses were paid in accordance with the terms of the lease agreement.

(b) On 5 January 2006, the Group entered into a master agreement with Peking Founder to govern the sale of information products to Peking Founder and its subsidiaries (collectively "Peking Founder Group") for a term of three years from 1 January 2006 to 31 December 2008. During the year, products of approximately HK$1,912,000 (2005: Nil) were sold to Peking Founder Group. The sales of products were made according to published prices and conditions similar to those offered to other customers of the Group.

31. RELATED PARTY TRANSACTIONS *(continued)*

(I) Transactions with related parties *(continued)*

(c) On 5 January 2006, the Group entered into a master agreement with Founder Holdings Limited ("FHL"), a substantial shareholder of the Company, to govern the sale of information products to FHL and its subsidiaries (collectively "Founder Group") for a term of three years from 1 January 2006 to 31 December 2008. During the year, products of approximately HK$74,979,000 (2005: HK$24,063,000) were sold to Founder Group. The sales of products were made according to published prices and conditions similar to those offered to other customers of the Group.

(d) As at 31 December 2006, Peking Founder guaranteed banking facilities given by the PRC banks to the Group of approximately HK$500,993,000 (2005: HK$340,897,000) which were utilised to the extent of approximately HK$441,172,000 (2005: HK$306,817,000).

(e) As at 31 December 2006, Peking Founder guaranteed a bank loan given by a PRC bank to the Group of approximately HK$39,880,000 (2005: HK$38,400,000).

(f) For the year ended 31 December 2005, products of approximately HK$59,662,000 were purchased from a company in which one director of a subsidiary was a shareholder. The purchase prices were determined based on actual costs incurred.

(g) For the year ended 31 December 2005, software of approximately HK$1,410,000 was purchased from a then fellow subsidiary. The directors considered that the transaction was conducted at rates agreed between the Group and then fellow subsidiary.

The related party transactions in respect of items (a), (b) and (c) above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(II) Outstanding balances with related parties

(a) The balance due to Peking Founder included in other payables and accruals was approximately HK$101,000 (2005: HK$820,000). The balance is unsecured, interest free and has no fixed terms of repayment.

(b) The balance due from fellow subsidiary included in prepayments, deposits and other receivables as at 31 December 2005 was approximately HK$1,751,000. The balance was unsecured, interest-free and had no fixed terms of repayment.

31. RELATED PARTY TRANSACTIONS *(continued)*

(III) Compensation of key management personnel of the Group

	2006	2005
	HK$'000	*HK$'000*
Short term employee benefits	**1,983**	2,382
Post-employment benefits	**59**	67
Total compensation paid to key management personnel	**2,042**	2,449

Further details of directors' emoluments are included in note 8 to the financial statements.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations. The Group does not use derivative financial instruments to hedge its debt obligations.

Foreign currency risk

The sales and purchases made by the subsidiary of the Group in Mainland China are conducted in the local currency and hence, the transactional currency exposure is minimal. The sales and purchases made by the subsidiaries of the Group in Hong Kong are conducted in Hong Kong dollars and United States dollars ("US$"). As the exchange rate of US$ against Hong Kong dollars was relatively stable during the year, the Group's exposure to fluctuations in exchange rates is considered minimal and no financial instruments have been used for hedging purposes.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Since the Group trade only with recognised and creditworthy third parties, there is no requirement for collateral.

The Group places its cash deposits with major international banks in Hong Kong and state-owned banks in Mainland China. This investment policy limits the Group's exposure to concentrations of credit risk.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. In addition, banking facilities have been put in place for contingency purpose.

33. POST BALANCE SHEET EVENT

During the Fifth Session of the Tenth National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the ''New Corporate Income Tax Law'') was approved and 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%. Since the detailed implementation and administrative rules and regulations have not yet been announced, the future financial impact of the New Corporate Income Tax Law to the Group cannot be reasonably estimated at this stage.

34. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 April 2007.