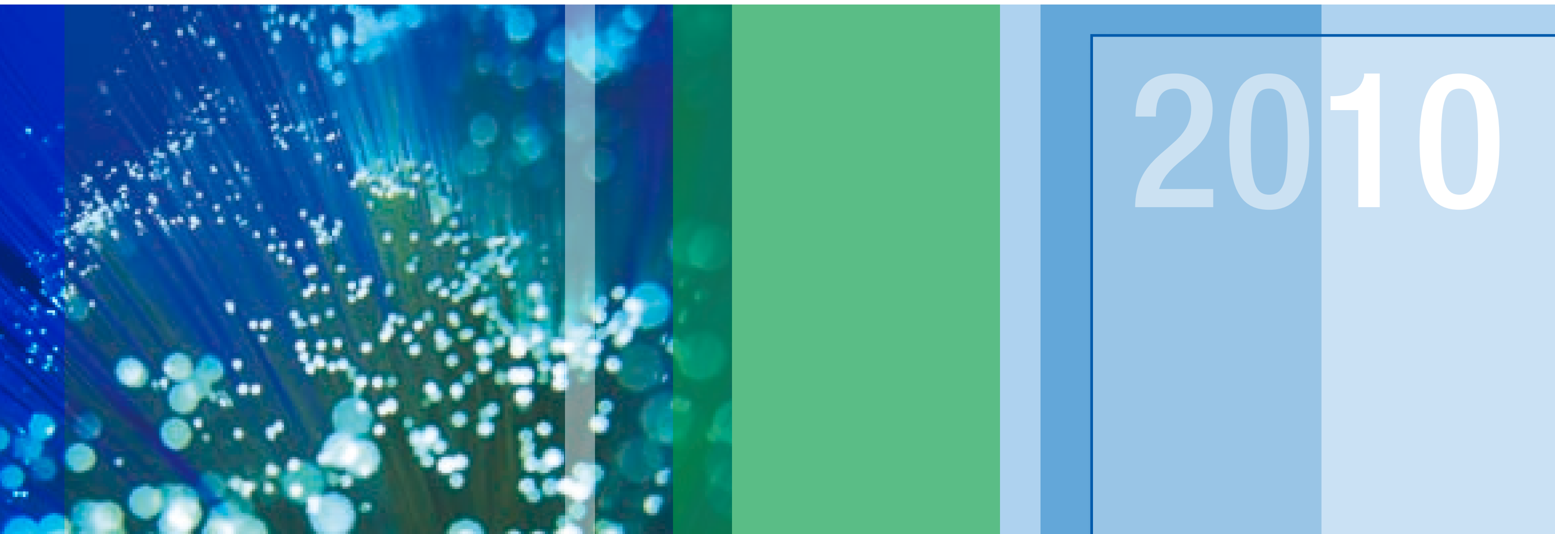

ANNUAL REPORT 2010

EC-FOUNDER (HOLDINGS) COMPANY LIMITED

方正數碼(控股)有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 00618

Contents

Corporate Information

BOARD OF DIRECTORS

Executive directors
Mr Zhang Zhao Dong *(Chairman)*
Mr Chen Geng *(President)*
Mr Xia Yang Jun
Mr Xie Ke Hai
Mr Zheng Fu Shuang

Independent non-executive directors
Mr Li Fat Chung
Ms Wong Lam Kit Yee
Ms Cao Qian

COMMITTEES

Audit Committee
Mr Li Fat Chung *(Chairman)*
Ms Wong Lam Kit Yee
Ms Cao Qian

Remuneration Committee
Mr Chen Geng *(Chairman)*
Mr Li Fat Chung
Ms Wong Lam Kit Yee

COMPANY SECRETARY
Ms Tang Yuk Bo, Yvonne

AUTHORISED REPRESENTATIVES
Mr Zhang Zhao Dong
Mr Chen Geng

AUDITORS
Ernst & Young
Certified Public Accountants

LEGAL ADVISERS
DLA Piper Hong Kong
Morrison & Foerster

PRINCIPAL BANKERS
Bank of Tianjin
China Everbright Bank
China Merchants Bank
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited

REGISTERED OFFICE
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
Unit 1408, 14th Floor
Cable TV Tower
9 Hoi Shing Road
Tsuen Wan
New Territories
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

Principal registrars
Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

Hong Kong branch share registrars and transfer office
Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

LISTING INFORMATION
Main board of The Stock Exchange of Hong Kong Limited
Stock code: 00618
Board Lot: 2,000 shares

COMPANY WEBSITES
www.ecfounder.com.hk
www.irasia.com/listco/hk/ecfounder

Financial Highlights

Year	**2010**	2009	2008	2007	2006
Turnover *(HK$' million)*	**4,649**	3,813	3,961	2,725	2,315
Net profit *(HK$' million)*	**16**	33	18	11	15
Total assets *(HK$' million)*	**2,130**	1,451	1,477	994	900
Total liabilities *(HK$' million)*	**1,782**	1,130	1,192	736	663
Net assets *(HK$' million)*	**348**	321	285	258	237
Net assets per share *(HK$)*	**0.31**	0.29	0.26	0.23	0.22
Current ratio	**1.17**	1.24	1.20	1.29	1.30
Earnings per share – basic *(HK cents)*	**1.43**	3.01	1.66	0.98	1.36

Management Discussion and Analysis

OVERALL PERFORMANCE

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

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

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

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

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

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

OPERATING REVIEW AND PROSPECTS

Distribution of information products ("Distribution Business")

The Group's principal operating activity during the year is the distribution of information products business. The Distribution Business recorded a turnover of HK$4,649.3 million representing an increase of 21.9% comparing to the last financial year. Gross profit for the Distribution Business also recorded an increase of 14.2% to HK$202.2 million for the year ended 31 December 2010 (year ended 31 December 2009: HK$177.1 million). Gross profit margin was maintained at 4% for both years.

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

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

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

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

PROSPECTS

The Group is dedicated for a medium to long term development plan of maintaining a satisfactory growth in results and fulfilling its objective to enhance shareholders' value. The Distribution Business will continuously refine its product structure to avoid product overlapping and minimise market risk. The Group will focus on the distribution of information products with higher profit margin and exploring the more profitable value-added service business. Moreover, the management will also place stronger emphasis on operating cash flow, stringent control on working capital such as trade receivables and payables and inventory and cost management. The Group will continue to look for alliance with other international information products suppliers and investment opportunities.

Management Discussion and Analysis

EMPLOYEES

The Group has developed its human resources policies and procedures based on performance and merits. The Group ensures that the pay level of its employees are competitive and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus systems. The Group provides on-the-job training to its employees in addition to retirement benefit schemes and medical insurance.

The Group operates share option schemes for the purpose of providing incentives and rewards to eligible directors and employees of the Group who contribute to the success of the Group's operations. The Group had not granted any share options to its eligible directors and employees during the current financial year.

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

FINANCIAL REVIEW

Liquidity, financial resources and capital commitments

During the current financial year, the Group generally financed its operations with internally generated resources and banking facilities provided by its principal bankers in Hong Kong and the PRC. As at 31 December 2010, the Group had approximately HK$106.2 million interest-bearing bank borrowings (31 December 2009: HK$26.9 million), of which nil (31 December 2009: HK$26.9 million) were fixed interest bearing and HK$106.2 million (31 December 2009: Nil) were floating interest bearing. Bank borrowings were denominated in Renminbi ("RMB") and United States Dollars ("U.S. dollars") and repayable within one year. The Group's banking facilities were secured by corporate guarantees given by the Company and Peking University Founder Group Company Limited.

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

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

At 31 December 2010, the Group did not have any material capital expenditure commitments.

Management Discussion and Analysis

Treasury policies

The Group adopts conservative treasury policies and controls tightly over its cash and risk management. The Group's cash and cash equivalents are held mainly in Hong Kong dollars ("HKD"), RMB and U.S. dollars. Surplus cash is generally placed in short term deposits denominated in HKD, RMB and U.S. dollars.

Exposure to fluctuations in exchange rates and related hedges

The Group operates mainly in Hong Kong and Mainland China. For the operations in Hong Kong, most of the transactions are denominated in HKD and U.S. dollars. The exchange rate of U.S. dollars against HKD is relatively stable and the related currency exchange risk is considered minimal. For the operations in Mainland China, most of the transactions are denominated in RMB. Given the appreciation of RMB against HKD during the year under review, no financial instrument was used for hedging purposes. It is expected that the appreciation of RMB would have a favourable impact on the Group.

Material acquisitions and disposals of subsidiaries and associates

The Group had no material acquisition or disposals of subsidiaries and associates in 2010.

Charges on assets

As at 31 December 2010, bank deposits of approximately HK$189.0 million (31 December 2009: HK$178.1 million) were pledged to banks to secure general banking facilities granted.

Future Plans for Material Investments or Capital Assets

The Group did not have any future plans for material investments or capital assets as at 31 December 2010.

Contingent liabilities

Certain associates of the Group, which are owned as to 36.69% by the Group, have tax disputes with Hong Kong Inland Revenue Department (the "IRD"), which had issued notices of additional tax assessments for the years of assessment from 2001/02 to 2004/05 demanding tax payments of approximately HK$13,820,000. Such associates of the Group had lodged objections against these assessments and are in the process of resolving the tax disputes with the IRD at the date of this announcement. Should the tax disputes be settled in accordance with the abovementioned additional tax assessments, the share of additional tax of associates by the Group would be approximately HK$5,071,000.

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

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is firmly committed to the overall standards of corporate governance and has always recognised the importance of accountability and communication with shareholders. The Company adopted all the code provisions of the Code on Corporate Governance Practices (the "Code"), as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), as its own code on corporate governance practices.

In the opinion of the directors, the Company met with the code provisions as set out in the Code throughout the year ended 31 December 2010.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

As at the date of this Corporate Governance Report, the board of directors of the Company (the "Board") currently comprises five executive directors and three independent non-executive directors. The executive directors are Mr Zhang Zhao Dong (Chairman), Mr Chen Geng (President), Mr Xia Yang Jun, Mr Xie Ke Hai and Mr Zheng Fu Shuang, the independent non-executive directors are Mr Li Fat Chung, Ms Wong Lam Kit Yee and Ms Cao Qian. To the best of knowledge of the directors, there is no relationship (including financial, business, family or other material/relevant relationship) among members of the Board.

The biographical details of each director are disclosed on pages 13 to 14 of this Annual Report.

The Board oversees the Group's strategic development and determines the objectives, strategies and policies of the Group. The Board also monitors and controls the operating and financial performance in pursuit of the Group's strategic objectives. Day-to-day management of the Group's business is delegated to the management of the Company under the supervision of the executive directors. The functions and powers that are so delegated are reviewed periodically to ensure that they remain appropriate. Matters reserved for the Board are the overall strategy of the Group, major acquisitions and disposals, major capital investments, dividend policy, significant changes in accounting policies, material contracts, appointment and retirement of directors, remuneration policy and other major operational and financial matters. The Board members have access to appropriate business documents and information about the Group on a timely basis. All Board members have access to the Company Secretary who is responsible for ensuring that the Board procedures, and related rules and regulations, are followed. Minutes of Board/Committee meetings are kept by the Company Secretary and are open for inspection by Board members. All directors and Board committees have recourse to external legal counsel and other professionals for independent advice at the Group's expense upon their request. Appropriate directors' liability insurance cover has also been arranged to indemnify the Board members for liabilities arising out of corporate activities. The Board held four regular Board meetings at approximately quarterly intervals during the year ended 31 December 2010. Additional Board meetings were held when necessary. Due notice and Board papers were given to all directors prior to the meetings in accordance with the Listing Rules and the Code.

The attendance record of each director at the Board meetings is as follows:

Name of director	**Meetings attended/Eligible to attend**
Executive Directors	
Mr Zhang Zhao Dong	4/4
Mr Chen Geng	2/4
Mr Xia Yang Jun	2/4
Mr Xie Ke Hai	2/4
Mr Zheng Fu Shuang	2/4
Independent Non-executive Directors	
Mr Li Fat Chung	2/4
Ms Wong Lam Kit Yee	2/4
Ms Cao Qian	3/4

There are also two Board committees under the Board, namely, the Audit Committee and the Remuneration Committee.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and the Chief Executive Officer are segregated and are not exercised by the same individual. Mr Zhang Zhao Dong is the Chairman of the Board. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in the discharge of its responsibilities. Mr Chen Geng is the President of the Company, who acts as the Chief Executive Officer of the Company. The President is responsible for the day-to-day management of the Group's business. Their respective roles and responsibilities are set out in writing which have been approved by the Board.

NON-EXECUTIVE DIRECTORS

There are currently three non-executive directors, all of them are independent. Each independent non-executive director has entered into a service agreement with the Company for a period of one year. Pursuant to the Bye-laws of the Company, one third of all the directors, including the non-executive directors, shall be subject to retirement by rotation at each annual general meeting.

All the three independent non-executive directors are professional accountants and two of them are practising in Hong Kong. This composition is in compliance with the requirement of rule 3.10 of the Listing Rules. Each independent non-executive director has, pursuant to rule 3.13 of the Listing Rules, provided an annual confirmation of his/her independence to the Company and the Company also considers them to be independent.

Corporate Governance Report

REMUNERATION OF DIRECTORS

Established in 2005, the Remuneration Committee currently comprises Mr Chen Geng (Chairman), Mr Li Fat Chung and Ms Wong Lam Kit Yee. The role and functions of the Committee include formulating the remuneration policy, determining the remuneration packages of all executive directors and senior management, making recommendations to the Board of the remuneration of non-executive directors, reviewing and approving performance-based remuneration, and ensuring that no director or any of his associates is involved in deciding his own remuneration.

In 2010, the Remuneration Committee met once to review and discuss the remuneration policy for the directors of the Company and the remuneration packages of all directors of the Company. The Company's policy on remuneration is to maintain fair and competitive packages based on business needs and industry practice. For determining the level of fees paid to the directors, market rates and factors such as each director's workload and required commitment will be taken into account.

No individual director will be involved in decisions relating to his/her own remuneration. Information relating to the remuneration of each director for 2010 is set out in Note 8 to the Company's 2010 Financial Statements.

The attendance record of the members of the Committee at the meeting is as follows:

Name of member	**Meetings attended/Eligible to attend**
Mr Chen Geng *(Chairman)*	1/1
Mr Li Fat Chung	1/1
Ms Wong Lam Kit Yee	1/1

NOMINATION OF DIRECTORS

The Board has not established a nomination committee. The power to nominate or appoint additional directors is vested in the Board according to the Bye-laws of the Company, in addition to the power of the shareholders to nominate any person to become a director of the Company in accordance with the Bye-laws of the Company and all applicable laws.

The Board from time to time reviews the composition of the Board to meet the Company's business demand, opportunities and challenges and to comply with the applicable laws and regulations. The nomination procedure basically follows Bye-law 102(B) of the Bye-laws of the Company, which empowers the Board from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. The directors will select and evaluate the balance of skills, qualifications, knowledge and experience of the candidate to the directorship as may be required by the Company from time to time by such means as the Company may deem fit. The directors shall consider the candidate from a wide range of backgrounds, on his merits and against objective criteria set out by the Board and taking into consideration his time devoted to the position. The Company's bye-laws provide that each director is required to retire by rotation once every three years and that one-third (or the number nearest to but not less than one-third) of the Directors shall retire from office every year at the Company's Annual General Meeting. A director's specific term of appointment, therefore, cannot exceed three years. Retiring directors shall be eligible for re-election at the Annual General Meeting of the Company. Induction programmes are arranged for newly appointed Board members. All Board members are given opportunities to update and develop their skills and knowledge.

No candidate was nominated for directorship of the Company during the year.

INTERNAL CONTROL

The Board has the ultimate responsibility to maintain a sound and effective internal control system for the Group to safeguard the interests of shareholders and the Group as a whole and to ensure strict compliance with relevant laws, rules and regulations. The Audit Committee is responsible for reviewing the effectiveness of the internal control system and reporting to the Board.

The Group's internal control system comprises a well established organisational structure and comprehensive policies and standards. Areas of responsibilities for each business and functional unit are clearly defined to ensure effective checks and balances. Procedures have been designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information used within the business or for publication. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud. Procedures have also been designed to ensure compliance with applicable laws, rules and regulations.

During the year, the Company has carried out an overview on the effectiveness of the internal control system of the Group. The review covers all material controls, including financial, operational and compliance controls and risk management functions of the Group. No material internal control aspects of any significant problems were noted.

Both the Audit Committee and the Board were satisfied that the internal control system of the Group had functioned effectively during the year under review.

AUDITORS' REMUNERATION

During the year, the remuneration in respect of audit and non-audit services provided by the Company's auditor, Ernst & Young, is summarised as follows:

	HK$'000
Statutory audit services	1,400
Non-audit services:	
Agreed-upon procedures on interim results	300
Limited assurance services on continuing connected transactions	40
Tax compliance services	43
	383
Total	1,783

Corporate Governance Report

AUDIT COMMITTEE

Established in 1998, the Audit Committee now solely comprises independent non-executive directors, namely, Mr Li Fat Chung (Chairman), Ms Wong Lam Kit Yee and Ms Cao Qian. All the committee members possess appropriate professional accounting and financial qualifications. The primary responsibilities of the Audit Committee include making recommendation to the Board on the appointment, reappointment and removal of the external auditors, approving the remuneration and terms of engagement of the external auditors, reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard, developing and implementing policy on the engagement of external auditors to provide non-audit services, monitoring the integrity of the financial statements and the reports of the Company, and overseeing the Company's financial reporting system and internal control procedures.

In 2010, the Audit Committee met three times. During the meetings, the Committee reviewed reports from the independent auditors regarding their audit on annual financial statements, review on interim financial results, discussed the internal control of the Group, and met with the independent auditors.

The attendance record of the members of the Committee at the meetings is as follows:

Name of member	**Meetings attended/Eligible to attend**
Mr Li Fat Chung *(Chairman)*	3/3
Ms Wong Lam Kit Yee	3/3
Ms Cao Qian	3/3

DIRECTORS' AND AUDITORS ' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the financial statements of the Group which give a true and fair view of the state of affairs of the Company and of the Group on a going concern basis in accordance with the statutory requirements and applicable accounting standards.

The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 23 to 24 of this Annual Report.

ON BEHALF OF THE BOARD

Zhang Zhao Dong
Chairman

Hong Kong
25 March 2011

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr Zhang Zhao Dong, aged 61, is the Chairman and an executive director of the Company. He is also the Chairman and an executive director of Founder Holdings Limited, the director and president of Peking University Founder Group Company Limited. Mr Zhang graduated from the Department of Geophysics at the Peking University in 1977 and is a research fellow at the Peking University.

Mr Chen Geng, aged 40, is the President and an executive director of the Company. He is also an executive director of Founder Holdings Limited. Mr Chen graduated from the Northwest University with a bachelor's degree in Executive Management and obtained an EMBA degree from the Peking University Guanghua School of Management. Mr Chen is also an Economist in the People's Republic of China. Before joining the Group in 2005, he was a Vice-President of a subsidiary of Peking University Founder Group Company Limited and worked in various investment companies in the People's Republic of China and has extensive experience in finance and management. Mr Chen is responsible for the overall strategic planning and development of the Group.

Mr Xia Yang Jun, aged 38, is an executive director of the Company. He is also a Vice-President of Peking University Founder Group Company Limited. Mr Xia graduated from the Peking University Guanghua School of Management with an EMBA degree. He is also a Financial Economist and Certified Public Accountant in the People's Republic of China.

Mr Xie Ke Hai, aged 45, is an executive director of the Company. He is also an executive director of Founder Holdings Limited and a Senior Vice-President and Chief Human Resources Officer of Peking University Founder Group Company Limited. Mr Xie graduated from the University of Science & Technology Beijing and obtained a master's degree. He is also a director of a number of associated companies of Peking University Founder Group Company Limited. He has extensive experience in human resources.

Mr Zheng Fu Shuang, aged 45, is an executive director of the Company. He is also the sole director and sole shareholder of Shining Wisdom Group Limited, a substantial shareholder of the Company. Mr Zheng graduated from the Institute of Electronics, Chinese Academy of Sciences with a master's degree in Engineering, and Peking University Guanghua School of Management with an EMBA degree. Mr Zheng has over 21 years' experience in the radio film and television business in the People's Republic of China. Mr Zheng was awarded the "Best Technology Entrepreneur of Private Enterprise in China" (中國優秀民營科技企業家) and "Outstanding entrepreneurs medal of The Hong Kong Polytechnic University's Bauhinia Cup" (香港理工大學紫荊花杯傑出企業家獎) and "The Eighteenth Beijing May Fourth Medal" (第十八屆北京市「五四獎章」).

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Li Fat Chung, aged 50, is an independent non-executive director of the Company and Founder Holdings Limited. Mr Li is a partner of Chan, Li, Law & Co., Certified Public Accountants, in Hong Kong. Mr Li is a Certified Public Accountant (Practising) in Hong Kong and is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. He is also an associate member of the Institute of Chartered Accountant in England and Wales and a Certified Tax Adviser of the Taxation Institute of Hong Kong. Mr Li received a master's degree in Business Administration from the University of Warwick, England. Mr Li has extensive experience in auditing, taxation and accounting.

Ms Wong Lam Kit Yee, aged 47, is an independent non-executive director of the Company and Founder Holdings Limited. Mrs Wong is a Certified Public Accountant (Practising) in Hong Kong. She is also a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants. Mrs Wong has extensive experience in auditing and accounting.

Ms Cao Qian, aged 47, is an independent non-executive director of the Company. Ms Cao is a Certified Public Accountant in the People's Republic of China. Ms Cao graduated from the Central University of Finance & Economics and obtained a bachelor's degree in finance and revenue professional. Ms Cao also received her EMBA degree from the Peking University Guanghua School of Management. Ms Cao has over 20 years of experience in auditing, accounting and financial management.

SENIOR MANAGEMENT

Mr Liu Xiao Kun, aged 51, is the President and an executive director of Founder Holdings Limited. He is also the Chairman of Beijing Founder Electronics Co., Ltd. and Beijing Founder Order Computer Systems Co., Ltd. and the Chairman and President of Beijing Founder Century Information Systems Co., Ltd. He also holds directorships in certain subsidiaries and associated companies of Peking University Founder Group Company Limited. Mr Liu graduated from the Sichuan University and holds a master's degree in Economics. He has extensive experience in the distribution business of information products. Mr Liu is mainly responsible for the overall operation of the Group's information products distribution business and Founder Holdings Limited's software development and system integration business.

Ms Cheang Yee Wah Eva, aged 36, is the Group Financial Controller of the Company and Founder Holdings Limited. Ms Cheang holds a bachelor's degree in Business Administration from The University of Hong Kong and is a member of the Hong Kong Institute of Certified Public Accountants. She has extensive knowledge and experience in financial management and corporate finance. Prior to joining the Group in August 2009, she was a senior manager of an international firm of Certified Public Accountants. Ms Cheang is responsible for the financial management and corporate finance of the Group.

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 25 to 87.

The directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 88 of the annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company's authorised or issued share capital or share options during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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.

Report of the Directors

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 26(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2010, the Company's reserves available for distribution amounted to approximately HK$81,497,000. In addition, the Company's share premium account, in the amount of approximately HK$156,019,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for approximately 74% (2009: 81%) of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 23% (2009: 35%).

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr Zhang Zhao Dong
Mr Chen Geng
Mr Xia Yang Jun
Mr Xie Ke Hai
Mr Zheng Fu Shuang

Independent, non-executive directors:

Mr Li Fat Chung
Ms Wong Lam Kit Yee
Ms Cao Qian

In accordance with the Company's Bye-laws, Mr Xia Yang Jun, Mr Xie Ke Hai and Mr Li Fat Chung will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Mr Li Fat Chung, Ms Wong Lam Kit Yee and Ms Cao Qian and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 13 to 14 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2010, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Report of the Directors

Long positions in ordinary shares of the Company:

Name of director	Number of ordinary shares held, capacity and nature of interest: Directly beneficially owned	Through controlled corporation	Total	Percentage of the Company's issued share capital
Mr Zhang Zhao Dong	3,956,000	–	3,956,000	0.36
Mr Zheng Fu Shuang *(Note)*	–	200,019,000	200,019,000	18.08

Note: Mr Zheng Fu Shuang is interested in these shares through Shining Wisdom Group Limited ("Shining Wisdom"), a company which is beneficially owned by Mr Zheng Fu Shuang.

Long positions in share options of the Company:

Name of director	Number of options directly beneficially owned
Mr Zhang Zhao Dong	8,000,000

Short positions in ordinary shares of the Company:

Name of director	Number of ordinary shares held, capacity and nature of interest Through controlled corporation	Percentage of the Company's issued share capital
Mr Zheng Fu Shuang *(Note)*	109,601,000	9.91

Note: Mr Zheng Fu Shuang is interested in these shares through Shining Wisdom, a company which is beneficially and wholly owned by Mr Zheng Fu Shuang.

Save as disclosed above, as at 31 December 2010, none of the directors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES

The Company operates share option schemes adopted on 24 May 2002 (the "2002 Scheme") and on 7 May 2001 (the "2001 Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the schemes are disclosed in note 25 to the financial statements.

The following table discloses movements in the Company's share options outstanding during the year:

	Number of share options outstanding as at 1 January and 31 December 2010	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share
Name or category of participant				
2001 Scheme				
Other employees				
In aggregate	4,300,000	18.5.2001	18.5.2001 to 17.5.2011	0.450
2002 Scheme				
Director				
Mr Zhang Zhao Dong	8,000,000	6.2.2004	7.2.2004 to 5.2.2014	0.381
Other employees				
In aggregate	16,000,000	6.2.2004	7.2.2004 to 5.2.2014	0.381
In aggregate	10,500,000	2.1.2004	3.1.2004 to 31.12.2013	0.340
Total under the 2002 Scheme	34,500,000			

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

* The vesting period of the share options is from the date of 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.

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

At 31 December 2010, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

			Long positions		Short positions	
Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital	Number of ordinary shares held	Percentage of the Company's issued share capital
北京北大資產經營有限公司 (Peking University Asset Management Company Limited*)	1	Through a controlled corporation	363,265,000	32.84	–	–
北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder")	2	Through a controlled corporation	363,265,000	32.84	–	–
Founder Holdings Limited ("FHL")		Directly beneficially owned	363,265,000	32.84	–	–
Shining Wisdom	3	Directly beneficially owned	200,019,000	18.08	109,601,000	9.91
富思特制漆(北京)有限公司 (First Paint (Beijing) Company Limited*)	3	Beneficiary of a charge	109,601,000	9.91	–	–
Peking University Education Foundation		Directly beneficially owned	93,240,000	8.43	–	–
Peking University Education Foundation		Beneficiary of a trust	2,330,000	0.21	–	–
Ms Li Yong Hui	4	As trustee	60,671,600	5.49	–	–
Ms Ying Yu Ling	4	As trustee	60,671,600	5.49	–	–
F2 Consultant Limited	4	Owned as nominee	60,671,600	5.49	–	–

Notes:

1. Peking University Asset Management Company Limited is deemed to be interested in the 363,265,000 shares of the Company under the SFO by virtue of its interest in Peking Founder.

2. Peking Founder is deemed to be interested in the 363,265,000 shares of the Company under the SFO by virtue of its interest in FHL.

3. Mr Zheng Fu Shuang is interested in these shares through Shining Wisdom. The 109,601,000 shares of the Company held by Shining Wisdom are charged to 富思特制漆（北京）有限公司 (First Paint (Beijing) Company Limited*) which are classified as a short position of Shining Wisdom under the SFO.

4. F2 Consultant Limited holds the shares of the Company as nominee on behalf of the directors of Founder Data Corporation International Limited ("FDC") who are acting in their capacity as the trustees of a discretionary trust for the employees of FDC and its subsidiaries. Ms Li Yong Hui and Ms Ying Yu Ling are the directors of FDC.

Save as disclosed above, as at 31 December 2010, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

* *For identification purpose only*

CONTINUING CONNECTED TRANSACTIONS

Details of the continuing connected transactions are set out in notes 29(I)(a) to 29(I)(f) to the financial statements.

The independent non-executive directors of the Company have reviewed the continuing connected transactions as set out in notes 29(I)(a) to 29(I)(f) to the financial statements, and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules.

A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

EVENT AFTER THE REPORTING PERIOD

Details of the significant event after the reporting period of the Group are set out in note 32 to the financial statements.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Zhang Zhao Dong
Chairman

Hong Kong
25 March 2011

Independent Auditors' Report

ERNST & YOUNG
安 永

To the shareholders of EC-Founder (Holdings) Company Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of EC-Founder (Holdings) Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 25 to 87, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report (continued)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong

25 March 2011

Consolidated Income Statement

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
REVENUE	5	**4,649,269**	3,812,755
Cost of sales		**(4,447,101)**	(3,635,616)
Gross profit		**202,168**	177,139
Other income and gains	5	**12,127**	9,262
Selling and distribution costs		**(110,624)**	(106,882)
Administrative expenses		**(76,079)**	(61,035)
Other operating income/(expenses), net		**(9,370)**	5,402
Finance costs	7	**(3,718)**	(1,986)
Share of profits and losses of associates		**2,157**	12,853
PROFIT BEFORE TAX	6	**16,661**	34,753
Income tax expense	10	**(898)**	(1,428)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	11	**15,763**	33,325
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic		**HK1.43 cents**	HK3.01 cents
Diluted		**HK1.42 cents**	HK3.01 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
PROFIT FOR THE YEAR	**15,763**	33,325
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**11,829**	2,668
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**11,829**	2,668
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**27,592**	35,993
Attributable to:		
Owners of the parent	**27,592**	35,993

Consolidated Statement of Financial Position

31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**6,913**	5,093
Goodwill	14	**2,892**	2,892
Investments in associates	16	**40,073**	42,044
Total non-current assets		**49,878**	50,029
CURRENT ASSETS			
Inventories	17	**544,925**	171,456
Trade and bills receivables	18	**666,076**	439,274
Prepayments, deposits and other receivables		**179,281**	192,808
Tax recoverable		**14**	28
Pledged deposits	19	**189,021**	178,051
Cash and cash equivalents	20	**500,832**	419,070
Total current assets		**2,080,149**	1,400,687
CURRENT LIABILITIES			
Trade and bills payables	21	**1,447,179**	922,705
Other payables and accruals		**227,134**	180,601
Interest-bearing bank borrowings	22	**106,225**	26,880
Tax payable		**1,367**	–
Total current liabilities		**1,781,905**	1,130,186
NET CURRENT ASSETS		**298,244**	270,501
Net assets		**348,122**	320,530
EQUITY			
Issued capital	24	**110,606**	110,606
Reserves	26(a)	**237,516**	209,924
Total equity		**348,122**	320,530

Zhang Zhao Dong
Director

Chen Geng
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2010

	Attributable to owners of the parent						
	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Exchange fluctuation reserve HK$'000	General reserve HK$'000	Accumulated losses HK$'000	Total equity HK$'000
At 1 January 2009	110,606	156,019	520,156	26,560	6,694	(535,498)	284,537
Total comprehensive income for the year	–	–	–	2,668	–	33,325	35,993
Transfer to general reserve	–	–	–	–	2,325	(2,325)	–
At 31 December 2009	110,606	156,019	520,156	29,228	9,019	(504,498)	320,530
At 1 January 2010	**110,606**	**156,019**	**520,156**	**29,228**	**9,019**	**(504,498)**	**320,530**
Total comprehensive income for the year	**–**	**–**	**–**	**11,829**	**–**	**15,763**	**27,592**
Transfer to general reserve	**–**	**–**	**–**	**–**	**1,486**	**(1,486)**	**–**
At 31 December 2010	**110,606**	**156,019***	**520,156***	**41,057***	**10,505***	**(490,221)***	**348,122**

* These reserve accounts comprise the consolidated reserves of HK$237,516,000 (2009: HK$209,924,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		**16,661**	34,753
Adjustments for:			
Finance costs	7	**3,718**	1,986
Share of profits and losses of associates		**(2,157)**	(12,853)
Interest income	5	**(10,576)**	(7,680)
Depreciation	6	**2,234**	2,580
Gain on disposal of items of property, plant and equipment	6	**(78)**	–
		9,802	18,786
Increase in inventories		**(373,469)**	(16,720)
Increase in trade and bills receivables		**(226,802)**	(65,935)
Decrease in prepayments, deposits and other receivables		**13,527**	302,037
Increase/(decrease) in trade and bills payables		**524,474**	(64,786)
Increase/(decrease) in other payables and accruals		**46,533**	(13,177)
Exchange differences		**(1,749)**	627
Cash generated from/(used in) operations		**(7,684)**	160,832
Interest received		**10,576**	7,680
Interest paid		**(3,718)**	(1,966)
Interest element on finance lease rental payments		**–**	(20)
Mainland of the People's Republic of China ("Mainland China" or the "PRC") corporate income tax paid		**(251)**	(2,083)
PRC corporate income tax refund		**734**	–
Net cash flows from/(used in) operating activities		**(343)**	164,443

Consolidated Statement of Cash Flows (continued)

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received from an associate		**4,128**	3,680
Purchases of items of property, plant and equipment	13	**(3,927)**	(1,607)
Proceeds from disposal of items of property, plant and equipment		**158**	11
Increase in time deposits with original maturity of more than three months when acquired		**(380)**	(120)
Decrease/(increase) in pledged deposits		**(10,970)**	21,576
Net cash flows from/(used in) investing activities		**(10,991)**	23,540
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**305,311**	72,440
Repayment of bank loans		**(225,966)**	(55,747)
Capital element of finance lease rental payments		**–**	(244)
Net cash flows from financing activities		**79,345**	16,449
NET INCREASE IN CASH AND CASH EQUIVALENTS		**68,011**	204,432
Cash and cash equivalents at beginning of year		**407,680**	201,267
Effect of foreign exchange rate changes, net		**13,371**	1,981
CASH AND CASH EQUIVALENTS AT END OF YEAR		**489,062**	407,680
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	20	**489,062**	407,680
Non-pledged time deposits	20	**11,770**	11,390
Cash and cash equivalents as stated in the consolidated statement of financial position		**500,832**	419,070
Non-pledged time deposits with original maturity of over three months when acquired		**(11,770)**	(11,390)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**489,062**	407,680

Statement of Financial Position

31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**1**	8
Investments in subsidiaries	15	**347,033**	318,886
Total non-current assets		**347,034**	318,894
CURRENT ASSETS			
Prepayments, deposits and other receivables		**383**	415
Cash and cash equivalents	20	**2,156**	3,050
Total current assets		**2,539**	3,465
CURRENT LIABILITIES			
Other payables and accruals		**1,451**	1,829
Total current liabilities		**1,451**	1,829
NET CURRENT ASSETS		**1,088**	1,636
Net assets		**348,122**	320,530
EQUITY			
Issued capital	24	**110,606**	110,606
Reserves	26(b)	**237,516**	209,924
Total equity		**348,122**	320,530

Zhang Zhao Dong
Director

Chen Geng
Director

Notes to Financial Statements

31 December 2010

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 include all Hong Kong Financial Reporting Standards, 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

Basis of consolidation from 1 January 2010

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

Basis of consolidation from 1 January 2010 *(continued)*

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests (formerly known as minority interests), prior to 1 January 2010, were accounted for using the parent entity extension method, whereby the differences between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

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

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

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

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

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

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

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

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

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

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

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

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

2.3 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.

HKFRS 1 Amendment	Amendments to HKFRS *1 First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [2]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [4]
HKFRS 9	*Financial Instruments* [6]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* [5]
HKAS 24 (Revised)	*Related Party Disclosures* [3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 February 2010
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 July 2011
[5] Effective for annual periods beginning on or after 1 January 2012
[6] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that 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 investments 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 investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

Business combinations from 1 January 2010 *(continued)*

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

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 circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations prior to 1 January 2010 but after 1 January 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 January 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

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 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 the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but 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 such an impairment loss is credited to the income statement in the period in which it arises.

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);

(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); or

(f) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

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	$12\frac{1}{2}\%$-$33\frac{1}{3}\%$
Motor vehicles	10%-25%

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. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised 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, including prepaid land lease payments under 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. 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.

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.

The Group's financial assets include cash and cash equivalents, pledged deposits, trade and bills receivables, deposits and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income in the income statement. The loss arising from impairment is recognised in the income statement in other operating expenses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks 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. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them 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.

If there is objective evidence that an impairment loss 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). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

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If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other operating expenses in the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, 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 discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables, and interest-bearing bank borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate 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 effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to issuance of the guarantee. Subsequent to initial recognition, the Company measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, 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.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including 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 relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period 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 the initial recognition of goodwill or 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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 by the end of the reporting period.

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 where 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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; and

(b) interest income, on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

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 for grants after 7 November 2002 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.

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. The cumulative expense recognised for equity-settled transactions at the end of each reporting period 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 equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service 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, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions *(continued)*

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. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. 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. All cancellations of equity-settled transaction awards are treated equally.

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

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit 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 directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. 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.

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, 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 preparation of the Group's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, 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.

3. SIGNIFICANT ACCOUNTING ESTIMATES *(continued)*

Impairment of trade receivables

The Group maintains an allowance for the estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected. Further details are given in note 18 to the financial statements.

Provision for obsolete inventories

Management reviews the ageing analysis of inventories of the Group at the end of each reporting period, and makes 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. If the condition was to deteriorate so that the actual provision might be higher than expected, the Group would be required to revise the basis of making the provision and its future results would be affected.

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 2010 was approximately HK$2,892,000 (2009: HK$2,892,000). More details are given in note 14 to the financial statements.

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 2010 was approximately HK$90,648,000 (2009: HK$85,563,000). Further details are given in note 23 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one operating segment which is the distribution of information products. Since this is the only operating segment of the Group, no further operating segment analysis thereof is presented.

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

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

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

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

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

Information about a major customer

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

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 during the year.

An analysis of other income and gains is as follows:

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

Note: Various government grants have been received for the sale of software approved by the 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/(crediting):

	Notes	Group 2010 HK$'000	Group 2009 HK$'000
Auditors' remuneration		**1,400**	1,400
Cost of inventories sold		**4,403,231**	3,576,975
Depreciation	13	**2,234**	2,580
Impairment/(reversal of impairment) of trade receivables*	18	**2,795**	(6,709)
Reversal of provision of obsolete inventories**		**(8,347)**	(14,820)
Operating lease rentals in respect of land and buildings		**11,872**	11,067
Employee benefit expense (including directors' remuneration-note 8):			
Wages and salaries		**55,129**	57,751
Pension scheme contributions***		**7,751**	7,442
		62,880	65,193
Foreign exchange differences, net		**(432)**	316
Gain on disposal of items of property, plant and equipment		**(78)**	–

* This item is included in "Other operating income/(expenses), net" in the consolidated income statement.

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

*** At 31 December 2010, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2009: Nil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

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

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	
	2010	2009
	HK$'000	HK$'000
Fees	**372**	366
Other emoluments:		
Salaries, bonuses and benefits in kind	**781**	483
Pension scheme contributions	**12**	12
	793	495
	1,165	861

8. DIRECTORS' REMUNERATION *(continued)*

(a) Independent non-executive directors

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

	2010 HK$'000	2009 HK$'000
Mr Li Fat Chung	126	123
Ms Wong Lam Kit Yee	126	123
Ms Cao Qian	120	120
	372	366

There were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

(b) Executive directors

2010	Fees HK$'000	Salaries, bonuses and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Mr Zhang Zhao Dong	–	–	–	–
Mr Chen Geng	–	781	12	793
Mr Xia Yang Jun	–	–	–	–
Mr Xie Ke Hai	–	–	–	–
Mr Zheng Fu Shuang	–	–	–	–
	–	781	12	793
2009				
Mr Zhang Zhao Dong	–	–	–	–
Mr Chen Geng	–	483	12	495
Mr Xia Yang Jun	–	–	–	–
Mr Xie Ke Hai	–	–	–	–
Mr Zheng Fu Shuang	–	–	–	–
	–	483	12	495

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

9. FIVE HIGHEST PAID EMPLOYEES

None of the five highest paid employees during the year was a director (2009: Nil). Details of the remuneration of the five (2009: five) non-director, highest-paid employees for the year are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Salaries, bonuses and benefits in kind	**3,686**	3,849
Pension scheme contributions	**116**	106
	3,802	3,955

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

	Number of employees	
	2010	2009
Nil to HK$1,000,000	**5**	5

10. INCOME TAX

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

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

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

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

10. INCOME TAX *(continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions 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-2010	**Hong Kong**		**Mainland China**		**Total**	
	HK$'000	**%**	**HK$'000**	**%**	**HK$'000**	**%**
Profit before tax	**905**		**15,756**		**16,661**	
Tax at the statutory tax rate	**149**	**16.5**	**3,939**	**25.0**	**4,088**	**24.5**
Lower tax rate for specific provinces or enacted by local authority	**–**	**–**	**(1,576)**	**(10.0)**	**(1,576)**	**(9.5)**
Adjustments in respect of current tax of previous periods	**–**	**–**	**(734)**	**(4.7)**	**(734)**	**(4.4)**
Profits and losses attributable to associates	**(356)**	**(39.3)**	**–**	**–**	**(356)**	**(2.1)**
Income not subject to tax	**–**	**–**	**(1,319)**	**(8.4)**	**(1,319)**	**(7.9)**
Expenses not deductible for tax	**90**	**9.9**	**588**	**3.7**	**678**	**4.1**
Tax losses utilised from previous periods	**(98)**	**(10.8)**	**–**	**–**	**(98)**	**(0.6)**
Tax losses not recognised	**215**	**23.7**	**–**	**–**	**215**	**1.3**
Tax charge at the Group's effective rate	**–**	**–**	**898**	**5.6**	**898**	**5.4**

Group-2009	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax	10,093		24,660		34,753	
Tax at the statutory tax rate	1,665	16.5	6,165	25.0	7,830	22.5
Lower tax rate for specific provinces or enacted by local authority	–	–	(2,466)	(10.0)	(2,466)	(7.1)
Profits and losses attributable to associates	(2,121)	(21.0)	–	–	(2,121)	(6.1)
Income not subject to tax	(233)	(2.3)	(3,117)	(12.6)	(3,350)	(9.6)
Expenses not deductible for tax	283	2.8	846	3.4	1,129	3.2
Tax losses utilised from previous periods	(279)	(2.8)	–	–	(279)	(0.8)
Tax losses not recognised	685	6.8	–	–	685	2.0
Tax charge at the Group's effective rate	–	–	1,428	5.8	1,428	4.1

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2010 includes a profit of approximately HK$27,592,000 (2009: HK$36,598,000) which has been dealt with in the financial statements of the Company (note 26(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, and the weighted average number of 1,106,062,040 (2009: 1,106,062,040) ordinary shares in issue during the year.

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

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

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2010			
At 31 December 2009 and at 1 January 2010:			
Cost	13,794	5,823	19,617
Accumulated depreciation	(11,331)	(3,193)	(14,524)
Net carrying amount	2,463	2,630	5,093
At 1 January 2010, net of accumulated depreciation	2,463	2,630	5,093
Additions	2,645	1,282	3,927
Disposals	(9)	(71)	(80)
Depreciation provided during the year	(1,637)	(597)	(2,234)
Exchange realignment	105	102	207
At 31 December 2010, net of accumulated depreciation	3,567	3,346	6,913
At 31 December 2010:			
Cost	15,075	7,116	22,191
Accumulated depreciation	(11,508)	(3,770)	(15,278)
Net carrying amount	3,567	3,346	6,913

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

Group *(continued)*

	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2009			
At 1 January 2009:			
Cost	12,407	5,546	17,953
Accumulated depreciation	(9,436)	(2,500)	(11,936)
Net carrying amount	2,971	3,046	6,017
At 1 January 2009, net of accumulated depreciation	2,971	3,046	6,017
Additions	1,382	225	1,607
Disposals	(11)	–	(11)
Depreciation provided during the year	(1,910)	(670)	(2,580)
Exchange realignment	31	29	60
At 31 December 2009, net of accumulated depreciation	2,463	2,630	5,093
At 31 December 2009:			
Cost	13,794	5,823	19,617
Accumulated depreciation	(11,331)	(3,193)	(14,524)
Net carrying amount	2,463	2,630	5,093

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

Company

	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2010			
At 31 December 2009 and 1 January 2010:			
Cost	224	706	930
Accumulated depreciation	(216)	(706)	(922)
Net carrying amount	8	–	8
At 1 January 2010, net of accumulated depreciation	8	–	8
Depreciation provided during the year	(7)	–	(7)
At 31 December 2010, net of accumulated depreciation	1	–	1
At 31 December 2010:			
Cost	224	706	930
Accumulated depreciation	(223)	(706)	(929)
Net carrying amount	1	–	1

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

Company *(continued)*

	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2009			
At 1 January 2009:			
Cost	224	706	930
Accumulated depreciation	(206)	(530)	(736)
Net carrying amount	18	176	194
At 1 January 2009, net of accumulated depreciation	18	176	194
Depreciation provided during the year	(10)	(176)	(186)
At 31 December 2009, net of accumulated depreciation	8	-	8
At 31 December 2009:			
Cost	224	706	930
Accumulated depreciation	(216)	(706)	(922)
Net carrying amount	8	-	8

14. GOODWILL

	Group HK$'000
Cost, net of accumulated amortisation, at 1 January 2009 and 2010, 31 December 2009 and 2010	**2,892**

Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to the distribution of information products cash-generating unit for impairment testing. The recoverable amount of the distribution of information products cash-generating unit has been determined based on a value in use calculation using a cash flow projection based on financial budgets covering a five-year period approved by the directors. The discount rate applied to the cash flow projection is 5% (2009: 5%).

Key assumptions were used in the value in use calculation of the distribution of information products cash-generating unit for 31 December 2010 and 31 December 2009. The cash flow projection was based on the expected gross margins during the budget period. Budgeted gross margin was determined based on past performance and management's expectation on market development. The discount rate used is before tax and reflects specific risks relating to the cash-generating unit.

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2010 HK$'000	2009 HK$'000
Unlisted shares, at cost	**450,071**	450,071
Due from subsidiaries	**264,921**	269,048
	714,992	719,119
Impairment	**(367,959)**	(400,233)
	347,033	318,886

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

15. INVESTMENTS IN SUBSIDIARIES *(continued)*

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		Principal activities
			Direct	*Indirect*	
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

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

\# 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. INVESTMENTS IN ASSOCIATES

	Group 2010 HK$'000	Group 2009 HK$'000
Share of net assets	**40,073**	42,044

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 another member firm of the Ernst & Young global network

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.

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.

Notes to Financial Statements

31 December 2010

16. INVESTMENTS IN ASSOCIATES *(continued)*

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

	2010 HK$'000	2009 HK$'000
Assets	**250,611**	217,876
Liabilities	**146,095**	103,730
Revenue	**1,196,398**	1,400,641
Profit after tax	**5,879**	35,029

17. INVENTORIES

	Group	
	2010 **HK$'000**	2009 HK$'000
Trading stocks	**544,925**	171,456

18. TRADE AND BILLS RECEIVABLES

	Group	
	2010 **HK$'000**	2009 HK$'000
Trade and bills receivables	**693,748**	463,294
Impairment	**(27,672)**	(24,020)
	666,076	439,274

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Trade and bills receivables are settled in accordance with the terms of the respective contracts. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade and bills receivables are non-interest-bearing.

18. TRADE AND BILLS RECEIVABLES *(continued)*

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

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

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	**24,020**	30,424
Impairment losses recognised/(reversed) (note 6)	**2,795**	(6,709)
Exchange realignment	**857**	305
At 31 December	**27,672**	24,020

Included in the above provision for impairment for trade receivables is a provision for individually impaired trade receivables of HK$8,464,000 (2009: HK$11,879,000) with a carrying amount before provision of HK$8,464,000 (2009: HK$11,879,000). The individually impaired trade receivables relate to customers that were in financial difficulties and the full amount of the receivables is expected to be irrecoverable. The Group does not hold any collateral or other credit enhancements over these balances.

18. TRADE AND BILLS RECEIVABLES *(continued)*

An aged analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Neither past due nor impaired	**363,856**	272,016
Past due but not impaired:		
Less than 1 month past due	**160,334**	59,115
1 to 3 months past due	**64,783**	54,683
Over 3 months past due	**27,298**	40,220
	616,271	426,034

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of individual customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

Included in the Group's trade and bills receivables are amounts due from related companies of approximately HK$84,880,000 (2009: HK$75,092,000), which are 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 pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the pledged deposits approximate to their fair values.

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**489,062**	407,680	**2,156**	3,050
Time deposits with original maturity of over three months when acquired	**11,770**	11,390	**–**	–
Cash and cash equivalents	**500,832**	419,070	**2,156**	3,050

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to approximately HK$436,139,000 (2009: HK$412,517,000). 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.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods from seven days to six months depending on the immediate cash requirement of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

21. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

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

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

22. INTEREST-BEARING BANK BORROWINGS

Group	2010 Contractual interest rate (%)	2010 Maturity	2010 HK$'000	2009 Contractual interest rate (%)	2009 Maturity	2009 HK$'000
Bank loans						
– unsecured	**2.13-5.62**	**2011**	**106,225**	4.86	2010	26,880

The unsecured bank loan was repayable within one year, of which approximately HK$55,319,000 (2009: HK$26,880,000) was 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.

Except for the bank borrowings of approximately HK$55,319,000 which are denominated in RMB (2009: HK$26,880,000), all bank borrowings are denominated in United States dollars.

The carrying amounts of the Group's bank borrowings approximate to their fair values. All borrowings of the Group bear interest at floating interest rates.

* *For identification purpose only*

23. DEFERRED TAX

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

	Group 2010 HK$'000	Group 2009 HK$'000
Tax losses	**89,797**	85,044
Deductible temporary differences	**851**	519
	90,648	85,563

The Group has tax losses arising in Hong Kong that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses and other deductible temporary differences as they have arisen in subsidiaries that have been loss making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

23. DEFERRED TAX *(continued)*

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2010, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$44,774,000 at 31 December 2010 (2009: HK$31,402,000).

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

24. SHARE CAPITAL

Shares

	Group and Company	
	2010	2009
	HK$'000	HK$'000
Authorised:		
3,000,000,000 (2009: 3,000,000,000) ordinary shares of HK$0.10 each	**300,000**	300,000
Issued and fully paid:		
1,106,062,040 (2009: 1,106,062,040) ordinary shares of HK$0.10 each	**110,606**	110,606

25. 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 purposes of the 2002 Scheme are 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 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.

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.

25. SHARE OPTION SCHEMES *(continued)*

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

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

The following share options were outstanding under the 2001 Scheme and the 2002 Scheme during the year:

	2010		2009	
	Weighted average exercise price HK$ per share	**Number of share options '000**	Weighted average exercise price HK$ per share	Number of share options '000
At 1 January and 31 December	**0.378**	**38,800**	0.378	38,800

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2010 and 2009

Number of options '000	**Exercise price* HK$ per share**	**Exercise period**
4,300	0.450	18.5.2001 to 17.5.2011
24,000	0.381	7.2.2004 to 5.2.2014
10,500	0.340	3.1.2004 to 31.12.2013
38,800		

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

25. SHARE OPTION SCHEMES *(continued)*

2001 Scheme

At the end of the reporting period, 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 end of the reporting period, the Company had 34,500,000 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 34,500,000 additional ordinary shares of the Company and additional share capital of HK$3,450,000 and share premium of HK$9,264,000 (before issue expenses).

26. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 28 of the financial statements.

The Group's contributed surplus represents the excess of nominal value of the shares of the subsidiaries acquired, over the nominal value of the Company's share issued in exchange therefor.

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$1,486,000 (2009: HK$2,325,000), which represented 10% of the PRC subsidiary's profit after tax for the year ended 31 December 2010 as determined in accordance with the PRC accounting standards, to the general reserve.

26. RESERVES *(continued)*

(b) Company

	Share premium account HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2009	156,019	528,980	(511,673)	173,326
Profit for the year	–	–	36,598	36,598
At 31 December 2009	**156,019**	**528,980**	**(475,075)**	**209,924**
Profit for the year	**–**	**–**	**27,592**	**27,592**
At 31 December 2010	**156,019**	**528,980**	**(447,483)**	**237,516**

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.

27. CONTINGENT LIABILITIES

(a) Group

Certain associates of the Group, which are owned as to 36.69% by the Group, have tax disputes with Hong Kong Inland Revenue Department (the "IRD"), which had issued notices of additional tax assessments for the years of assessment from 2001/02 to 2004/05 demanding tax payments of approximately HK$I3,820,000. Such associates of the Group had lodged objections against these assessments and are in the process of resolving the tax disputes with the IRD at the date of approval of these financial statements. Should the tax disputes be settled in accordance with the abovementioned additional tax assessments, the share of additional tax of associates by the Group would be approximately HK$5,071,000.

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

(b) Company

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	2010 **HK$'000**	2009 HK$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	**98,000**	204,680
Guarantees given to suppliers in connection with credit facilities granted to a subsidiary	**310,913**	158,676
	408,913	363,356

As at 31 December 2010, the banking facilities granted to subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$50,906,000 (2009: HK$49,572,000).

As at 31 December 2010, 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$242,164,000 (2009: HK$100,822,000).

28. 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 five years.

At 31 December 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**6,800**	9,838
In the second to fifth years, inclusive	**3,073**	8,504
	9,873	18,342

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29. 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 13 November 2008, PRC Century entered into two lease agreements with a subsidiary of Peking Founder to lease office premises in Beijing, the PRC, effective from 1 January 2009 to 31 December 2011.

During the year, rental and management fee expenses of approximately HK$5,021,000 (2009: HK$5,556,000) were paid by PRC Century to a subsidiary of Peking Founder. The directors consider that the rental and management fee expenses were paid in accordance with the terms of the lease agreements.

(b) On 15 December 2008, the Company 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 the three years from 1 January 2009 to 31 December 2011. On 27 July 2010, the Group entered into a supplemental agreement with Peking Founder to revise the annual caps for the two years ending 31 December 2011. Further details of the transaction were set out in the announcement of the Company dated 27 July 2010 and circular of the Company dated 10 August 2010.

During the year, information products of approximately HK$137,754,000 (2009: HK$45,974,000) were sold to Peking Founder Group. The directors consider that the sales of products were made according to published prices and conditions similar to those offered to other customers of the Group.

(c) On 15 December 2008, the Company 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 the three years from 1 January 2009 to 31 December 2011. On 12 June 2009, the Company entered into a supplemental agreement with FHL to revise the annual caps for the three years ending 31 December 2011.

During the year, information products of approximately HK$175,763,000 (2009: HK$255,795,000) were sold to Founder Group. The directors consider that the sales of these products were made according to published prices and conditions similar to those offered to other customers of the Group.

(d) On 15 December 2008, the Company entered into an HP Master Agreement with FHL for the purchase of HP products from Founder Group for a term of the three years from 1 January 2009 to 31 December 2011.

During the year, purchase of HP products and a commission fee in the amounts of approximately HK$409,511,000 (2009: HK$176,954,000) and HK$1,229,000 (2009: HK$527,000) were paid to Founder Group, respectively. The directors consider that the purchase of HP products and commission fee were made in accordance with the HP Master Agreement.

29. RELATED PARTY TRANSACTIONS *(continued)*

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

(e) On 19 November 2010, the Company entered into a master agreement with Peking Founder for the purchase of information products from Peking Founder Group for the three years ending 31 December 2012. Further details of the transaction were set out in the announcement of the Company dated 19 November 2010.

During the year, purchases of information products of approximately HK$3,968,000 (2009: Nil) from Peking Founder Group were made by the Group. The directors consider that the purchases of information products from Peking Founder Group were made in accordance with the terms of the master agreement.

(f) On 12 June 2009, the Company entered into an entrusted loan master agreement with Peking Founder (the "Entrusted Loan Master Agreement"), pursuant to which the Group would provide short term loans through a financial institution to Peking Founder Group for the three years ending 31 December 2011.

On 21 August 2009, the Group provided a six-month short term loan of approximately HK$34,000,000 to a subsidiary of Peking Founder and related interest of approximately HK$240,000 was earned by the Group during the year ended 31 December 2010. The entrusted loan and related interest receivable were fully settled by Peking Founder Group during the year ended 31 December 2010.

On 18 January 2010 and 22 January 2010, the Group provided two five-month short term loans of approximately HK$56,850,000 and HK$34,110,000, respectively, to Peking Founder and related interests of approximately HK$926,000 and HK$555,000 were earned by the Group during the year ended 31 December 2010. The entrusted loans and related interest receivables were fully settled by Peking Founder during the year ended 31 December 2010.

On 25 May 2010, the Group provided a six-month short term loan of approximately HK$80,360,000 to a subsidiary of Peking Founder and related interest of approximately HK$2,153,000 was earned by Group during the year ended 31 December 2010. The entrusted loan and related interest receivable were fully settled by Peking Founder Group during the year ended 31 December 2010.

On 6 December 2010, the Group provided a three-month short term loan of approximately HK$82,266,000 to a subsidiary of Peking Founder and related interest of approximately HK$314,000 was earned by Group during the year ended 31 December 2010. The entrusted loan and the related interest receivable were included in prepayments, deposits and other receivables as at 31 December 2010. Subsequent to the end of the reporting period, such entrusted loan and related interest receivables were fully settled by Peking Founder Group.

29. RELATED PARTY TRANSACTIONS *(continued)*

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

(f) *(continued)*

All above mentioned loans are unsecured and bear interest at the prevailing benchmark Renminbi lending rate for loan period of six months offered by The People's Bank of China ("PBOC") plus 10% of such rate. The directors consider that the provision of above entrusted loans to Peking Founder Group was made in accordance with the Entrusted Loan Master Agreement.

(g) As at 31 December 2010, Peking Founder guaranteed banking facilities given by the PRC banks to the Group of approximately HK$1,565,410,000 (2009: HK$789,613,000) which were utilised to the extent of approximately HK$860,750,000 (2009: HK$721,105,000).

(h) As at 31 December 2010, Peking Founder guaranteed bank loans given by the PRC banks to the Group of approximately HK$55,319,000 (2009: HK$26,880,000).

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

(II) Outstanding balances with related parties

(a) The balances due from subsidiaries of FHL included in prepayments, deposits and other receivables as at 31 December 2010 are approximately HK$9,000 (2009: HK$1,115,000). The balances are unsecured, interest-free and have no fixed terms of repayment.

(b) The balances due to subsidiaries of FHL included in other payables and accruals as at 31 December 2010 were approximately HK$263,000 (2009: Nil). The balances are unsecured, interest-free and have no fixed terms of repayment.

(c) As at 31 December 2010, except for the entrusted loan and related interest receivables from a subsidiary of Peking Founder disclosed in note 29(I)(f) to the financial statements, other balances due from Peking Founder Group included in prepayments, deposits and other receivables were approximately HK$7,524,000 (2009: Nil). The balances are unsecured, interest-free and have no fixed terms of repayment.

(d) The balances due to Peking Founder Group included in other payables and accruals as at 31 December 2010 were approximately HK$659,000 (2009: HK$590,000). The balances are unsecured, interest-free and have no fixed terms of repayment.

(e) Details of the Group's trade receivables from Peking Founder Group and Founder Group as at the end of the reporting period are included in note 18 to the financial statements.

29. RELATED PARTY TRANSACTIONS *(continued)*

(III) Compensation of key management personnel of the Group

	2010 HK$'000	2009 HK$'000
Short term employee benefits	**1,153**	849
Post-employment benefits	**12**	12
Total compensation paid to key management personnel	**1,165**	861

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

30. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	Group		Company	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Financial assets – Loans and receivables				
Due from subsidiaries	**–**	–	**264,921**	269,048
Trade and bills receivables	**666,076**	439,274	**–**	–
Financial assets included in prepayments, deposits and other receivables	**114,928**	64,652	**383**	415
Pledged deposits	**189,021**	178,051	**–**	–
Cash and cash equivalents	**500,832**	419,070	**2,156**	3,050
	1,470,857	1,101,047	**267,460**	272,513
Financial liabilities – Financial liabilities at amortised cost				
Trade and bills payables	**1,447,179**	922,705	**–**	–
Financial liabilities included in other payables and accruals	**114,267**	110,744	**1,451**	1,829
Interest-bearing bank borrowings	**106,225**	26,880	**–**	–
	1,667,671	1,060,329	**1,451**	1,829

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank 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 credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

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.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Company is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 27(b) to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade and bills receivables are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 18 to the financial statements.

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.

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

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

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

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	2010 Within 1 year HK$'000
Trade and bills payables	**1,447,179**
Financial liabilities included in other payables and accruals	**114,267**
Interest-bearing bank borrowings	**106,225**
	1,667,671

	2009 Within 1 year HK$'000
Trade and bills payables	922,705
Financial liabilities included in other payables and accruals	110,744
Interest-bearing bank borrowings	26,880
	1,060,329

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

Liquidity risk *(continued)*

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Company

	2010 Within 1 year HK$'000
Financial liabilities included in other payables and accruals	**1,451**
Guarantees given to banks in connection with facilities granted to subsidiaries	**50,906**
Guarantees given to suppliers in connection with credit facilities granted to a subsidiary	**242,164**
	294,521

	2009 Within 1 year HK$'000
Financial liabilities included in other payables and accruals	1,829
Guarantees given to banks in connection with facilities granted to subsidiaries	49,572
Guarantees given to suppliers in connection with credit facilities granted to a subsidiary	100,822
	152,223

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

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2010 and 31 December 2009.

The Group monitors capital using a debt to equity ratio, which is total interest-bearing bank borrowings divided by total equity. The Group's policy is to maintain a stable gearing ratio. The gearing ratios as at the end of the reporting periods were as follows:

	2010	2009
	HK$'000	HK$'000
Interest-bearing bank borrowings	**106,225**	26,880
Total equity	**348,122**	320,530
Debt to equity ratio	**0.31**	0.08

32. EVENT AFTER THE REPORTING PERIOD

On 21 March 2011, the Group provided a six-month short term loan of approximately HK$188,000,000 to a subsidiary of Peking Founder under the entrusted loan agreement. The loan is unsecured and bears interest at the prevailing benchmark Renminbi lending rate for loan period of six months offered by PBOC plus 15% of such rate.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2011.

Five year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

RESULTS

	Year ended 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**4,649,269**	3,812,755	3,961,403	2,724,686	2,314,811
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	**15,763**	33,325	18,362	10,835	14,932

ASSETS AND LIABILITIES

	As at 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**2,130,027**	1,450,716	1,476,864	994,454	899,959
TOTAL LIABILITIES	**(1,781,905)**	(1,130,186)	(1,192,327)	(736,210)	(663,179)
	348,122	320,530	284,537	258,244	236,780