FOUNDER HOLDINGS LIMITED
方正控股有限公司
(Incorporated in Bermuda with limited liability)
Stock Code: 00418

ANNUAL REPORT 2015

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Corporate Information

BOARD OF DIRECTORS

Executive directors
Professor Xiao Jian Guo *(Chairman)*
Professor Yang Bin *(President)*
Mr Liu Jian
Ms Zuo Jin
Ms Sun Min
Ms Luo Yan

Independent non-executive directors
Mr Li Fat Chung
Ms Wong Lam Kit Yee
Mr Fung Man Yin, Sammy

COMMITTEES

Audit Committee
Mr Li Fat Chung *(Chairman)*
Ms Wong Lam Kit Yee
Mr Fung Man Yin, Sammy

Remuneration Committee
Mr Li Fat Chung *(Chairman)*
Professor Xiao Jian Guo
Ms Wong Lam Kit Yee

Nomination Committee
Professor Xiao Jian Guo *(Chairman)*
Ms Wong Lam Kit Yee
Mr Fung Man Yin, Sammy

COMPANY SECRETARY
Ms Tang Yuk Bo, Yvonne

AUTHORISED REPRESENTATIVES
Professor Xiao Jian Guo
Mr Liu Jian

AUDITORS
Ernst & Young
Certified Public Accountants

LEGAL ADVISERS
Jun He Law Offices

PRINCIPAL BANKERS
Bank of Beijing
China Merchants Bank
DBS Bank (China) Limited
DBS Bank (Hong Kong) 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 IN HONG KONG
Unit 1408, 14th Floor
Cable TV Tower
9 Hoi Shing Road
Tsuen Wan
New Territories
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

Principal registrar
MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

Hong Kong branch share registrar and transfer office
Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

LISTING INFORMATION
Main board of The Stock Exchange of Hong Kong Limited
Stock code: 00418
Board lot: 2,000 shares

COMPANY WEBSITE
www.irasia.com/listco/hk/founder

Financial Highlights

	2015 HK$'million	2014 HK$'million	+/(-) Change
FINANCIAL PERFORMANCE			
Revenue	**964**	1,080	(9.9%)
Gross profit margin (%)	**41.3%**	33.7%	
Profit attributable to owners of the parent	**7**	6	15.7%
Net profit margin (%)	**0.8%**	0.6%	
KEY FINANCIAL INDICATORS			
Cash and cash equivalents	**613**	525	16.8%
Net current assets	**562**	569	(1.3%)
Total assets	**1,658**	1,692	(2.0%)
Total liabilities	**677**	731	(7.3%)
Interest-bearing bank borrowings	**160**	194	(17.5%)
Equity attributable to owners of the parent	**981**	961	2.1%
Current ratio (times)	**1.87**	1.81	
Gearing ratio	**0.16**	0.20	
Basic earnings per share (HK cents)	**0.6**	0.5	

Management Discussion and Analysis

PERFORMANCE

The Group reported a profit attributable to equity holders of the parent for the year ended 31 December 2015 of approximately HK$7.4 million (year ended 31 December 2014: HK$6.4 million). The Group's turnover for the current financial year decreased by 10.8% to approximately HK$963.6 million (year ended 31 December 2014: HK$1,079.9 million) due to decrease in sales of information products for non-media segment. Gross profit for the current year increased by 9.5% to HK$398.0 million compared with last financial year's HK$363.5 million. Gross profit ratio increased from 33.7% for the last financial year to 41.3% for the current financial year as a result of increase in proportion of sales of technical services with higher gross profit margin.

The improvement in the Group's operating results for the year attributable to the equity holders of the parent was mainly the net results of:

a. increase in the gross profit by 9.5% to HK$398.0 million (year ended 31 December 2014: HK$363.5 million) as a result of increase in proportion of sales of technical services with higher gross profit margin;

b. increase in other income and gains as a result of increase in government grants and increase in fair value gains on investment properties in Hong Kong;

c. increase in selling and distribution expenses, administrative expenses and other expenses, net by 6.4% to HK$453.0 million (year ended 31 December 2014: HK$425.7 million) as a result of increase in staff cost; and

d. an increase in tax from approximately HK$4.4 million to HK$18.3 million as a result of other tax provision made in current financial year in respect of the government grants received.

Basic and diluted earnings per share attributable to equity holders of the parent for the year was HK0.6 cents (year ended 31 December 2014: HK0.5 cents).

OPERATING REVIEW AND PROSPECTS

(A) Software development, systems integration and information products distribution for media sector ("Media Business")

The turnover of the Media Business for the current financial year increased slightly by 1.1% to approximately HK$925.5 million (year ended 31 December 2014: HK$915.2 million). The segment results recorded a profit of approximately HK$29.3 million (year ended 31 December 2014: HK$10.5 million). The improvement of segment results was due to increase in gross profit margin and increase in government grants for the current financial year.

Font Library Business

The environment of font library copyright continued to improve in 2015. The lawsuits for infringement against the use of font library by three online shops in Nanjing were ruled in favour of Beijing Founder Electronics Co., Ltd. ("Founder Electronics", the wholly-owned subsidiary of the Company). Founder Electronics officially started the Support Program of Public Service Genuine Fonts (社會公益正版字體支持計劃) and launched various new fonts, including but not limited to RuiShuiYun (銳水雲), QuSong (趣宋), RuiZhengHei (銳正黑), GongYeHei (工業黑), Heili (黑隸) series, GuFang (古仿), JinLing font (金陵體), LongZhua font (龍爪體) and YuanSong (圓宋), attracting more and more enterprises to purchase the authorization of Founder Electronics font library. BangShuHang (榜書行) won the Silver Prize of Red Star Design Award 2015 (the highest award for font design of the year in The People's Republic of China (the "PRC")). The development of the 17th and 20th pack of the Chinese font library project, which is a major scientific and technological project in press and publication industry we undertook, has commenced during the current financial year. The Founder font library was launched simultaneously at various mobile App stores, including MI Store (小米商店), Coolpad, Oppo, etc., which are available for purchase by netizens. Various updated versions of "Mr. writing" (寫字先生), a social platform designed for people to practice calligraphy, write and share, have been released, which has greatly improved the user experience and received free recommended from Apple App Store, 360 Store (360商店) and MI Store (小米商店).

Internet Large-scale Data Business

Leveraging on existing technologies and businesses, Founder Electronics intended to fully enter into the internet large-scale data business, specifically, to construct and operate an internet large-scale data analysis service platform based on internet large-scale data search and analysis technology with proprietary intellectual property rights, by stepping up the investment and inducing more talents. In order to strengthen our expansion into this industry for technological products and business model tailored to the needs of our users, we proceeded to an organization restructuring throughout the business department by adding an Amoeba team responsible for industry expansion to our existing platform of data center maintenance and core technologies research and development. Inside our team, we proactively implemented the business model of "technology + service", and promoted it to the whole industry. Currently, the initial effect has been seen: in respect of traditional internet public sentiment information service and national network security technology service, most large-scale construction projects we undertook progressed well to the satisfactory of customers, which brought more opportunities for projects, strengthened our advantages in terms of technical products and consolidated our traditional strength and market position. Meanwhile, Founder Electronics succeeded in cooperating with relevant competent authorities, industrial associations and renowned enterprises in such field as household appliances and education, forming a service model of large-scale data analysis oriented to industrial application and with good marketing prospect. Looking forward, we will focus on certain industries to pool our efforts and increase investments to become the large-scale data application market leaders in China.

Printing Business

Founder Electronics continued to help the printing company clients for their business integration and transformation via our "all-in-one" (全能印廠) solutions, continued to strengthen the market leading position of our main products and driving our transformation of business model to the provision of service. The variable data inkjet coding system of Founder EagleJet (方正傑鷹) played a leading position in the QR coding market of drug supervision code, cigarette packages and household chemicals. We launched K and V series EagleJet (傑鷹) inkjet printers based on the inkjet core technologies, and maintained our leading position in domestic inkjet digital printer market. Founder Electronics comprehensively achieved safety transmission of primary and secondary school teaching materials through our electronic film solutions with national coverage. Founder DiaoLong (方正雕龍) CTP recorded steady sales growth. Through our digital printing cloud platform solutions, we solved such urgent requirements as accuracy, safety and production efficiency of content production faced by publishers in the internet era. At the same time, we are expanding into package industry on the basis of QR code anti-counterfeiting, source tracing and large-scale data marketing, where we have certain technological barrier in place and will keep working hard in the coming years.

Digital Media Business

By capitalizing on the historic opportunities of integration of traditional media with new media to actively drive the integration media overall solutions and rapidly boost industry layout, Founder Electronics recorded strong sales of Omnimedia System for News Business (暢享全媒體新聞業務系統) and cooperated with a number of heavyweight clients, further consolidating and strengthening the Company's core competitiveness and enhancing our market share. Meanwhile, we took the lead in guiding users for integration and development on operation level, promoted sales of Omni-media System for Operating Business (暢營全媒體運營業務系統) and successfully established such main clients as Guangzhou Daily (廣州日報), Zhejiang Daily (浙江日報), Dazhong Daily (大眾日報) and China Education News (中國教育報), playing a leading position in the market. Based on our extensive practical experience in the media field and with market trend and demand analysis and continuous technology innovation and product upgrade, the Company also launched such new systems as Client Resources Operating Platform (客戶資源運營平台), YueXiang News (悅享新聞) APP, Internet News Application (互聯網新聞應用) and Information Service Platform (信息服務平台) based on cloud computing, large-scale data and mobile internet application to gradually develop an integrated solution for intelligence media for DT era, which were widely recognized in the industry. Five projects undertaken in 2015 were granted with the First Prize of Wangxuan News Science and Technology Award (王選新聞科學技術一等獎). We continued to transform towards a service provider and launched the open cloud platform Xinkong Cloud Media (新空雲媒) for the provision of pan media one-stop cloud service, hence transforming gradually from a solution provider to a cloud service provider. Facing the severe economic condition in the market, Founder Electronics, leveraging its foothold in the newspaper industry, strived to expand into other sectors by conducting active industry expansion in aspects such as operation of news schools and vertical industry information service, thereby laying a solid foundation for the sustainable and stable development of the Company.

Digital Publishing Business

Driven by the technologies of mobile internet, cloud computing and large-scale data, the publishing industry in China has entered into the "integration" stage of development with traditional publishing transforming towards digital publishing. Based on the technologies including mobile internet, large-scale data and cloud computing, Founder Electronics created Intelligent Publishing (智慧出版) solution to promote the transformation and upgrading towards digital publishing industry and business model innovation. In 2015, we released a number of new product solutions, such as Shuchang Collaborative Compiling and Dynamic Publishing System (書暢協同編纂及動態出版系統), Zhixiang Large-scale Data Intellectual Service Solution (智享大數據知識服務解決方案), Founder Feixiang New Generation Digital Textbook Tool (方正飛翔新一代數字教材工具), Zhixiang New Media Operation Release Platform (智享新媒體運營發佈平台), mobile APP, WeChat Book City (微信書城), Self-help Publishing Platform (自助出版平台), which has contributed to the integrated development, transformation and innovation of the publishing industry. Founder's Intelligent Publishing solution has obtained dozens of major orders from the Central Cultural Enterprise Digital Transformation and Upgrading (中央文化企業數字化轉型升級改造) project and Central China Publishing & Media Group (中原出版傳媒集團), Shanghai Century Publishing Group (上海世紀出版集團), Jilin Publishing Group (吉林出版集團), Hubei Changjiang Press & Media Group Company Limited (湖北長江出版傳媒集團), etc. In 2015, we were shortlisted in all three sub-categories under the solicitation of technology support units for knowledge service by the State Administration of Press, Publication, Radio, Film and Television of the PRC, namely core technology supporting unit for development of knowledge system and knowledge processing, management technology support unit for knowledge services and operation technology supporting unit, reflecting our technology strength and advantages and continuing to lead the development of digital publishing technologies.

Digital Education Business

Relying on our "tools + software platform + contents + services", Founder Electronics focused on mobile internet education and aimed at developing an intelligent teaching environment and internet education trend for K12 students, among which Founder Huiyun Intelligent Class System (方正慧雲智慧課堂系統) ("e-School Bags") has been used by over 200 schools in more than 20 provinces. Meanwhile, on the basis of Founder Feixiang Digital Textbook Development Tool (方正飛翔數字教材開發工具), we have won the bidding in a number of digital textbook development projects, such as projects of People's Education Press and Beijing Academy of Educational Sciences. By developing digital textbooks that are more interactive with rich media contents, scenarios and games, Founder Electronics took the lead in the development of digital textbooks for elementary education both in terms of technology and market share. Besides, leveraging our own technology advantages and coupled with the development of school subjects, Founder Electronics released interactive mathematic inquiry tools for primary and junior secondary schools and such other teaching resources, which effectively facilitated the expansion of our business from technology towards resources and services.

(B) Information products distribution for non-media sector ("Non-Media Business")

The turnover of the Non-Media Business for the current financial year decreased by 77.1% to approximately HK$37.6 million (year ended 31 December 2014: HK$164.2 million) while its segment results has recorded a profit of approximately HK$0.9 million (year ended 31 December 2014: HK$0.6 million).

The major products provided under the Non-Media Business include various information products such as servers, storage devices and workstations of a number of internationally known and branded information products manufacturers such as HP, Hitachi, Oracle Systems and Siemon. The decrease in segment revenue was mainly due to decrease in sales of information products in the banking sector in the PRC.

PROSPECTS

To deal with the business growth, the management of the Group will closely monitor changes in the PRC's economy and its IT market. The Group will continue the development of innovative solutions and provide our customers with more cost-effective products and solutions to meet our customers' demands for enhancing their competitiveness. In addition, the Group will closely monitor the performance of each business sector to achieve effective cost control and maximise shareholders' value.

EMPLOYEES

The Group has developed its human resources policies and procedures based on performance and merit. The Group ensures that the pay levels 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.

As at 31 December 2015, the number of employees of the Group was approximately 1,171 (31 December 2014: 1,216).

Management Discussion and Analysis

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 2015, the Group had interest-bearing bank borrowings of approximately HK$160.2 million (31 December 2014: HK$194.1 million), of which HK$96.6 million (31 December 2014: HK$75.7 million) were fixed interest bearing and HK$63.6 million (31 December 2014: HK$118.4 million) were floating interest bearing. The bank borrowings were denominated in Hong Kong Dollars ("HKD"), Renminbi ("RMB") and United States Dollars ("U.S. dollars"), and were repayable within one year. The Group's banking facilities were secured by corporate guarantees given by the Company, 北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder") (a substantial shareholder of the Company), PKU Founder Group Finance Co., Ltd. (a subsidiary of Peking Founder), the Government of the Hong Kong Special Administrative Region under the SME Loan Guarantee Scheme, certain of the Group's land and buildings, investment properties and bank deposits.

At 31 December 2015, the Group recorded total assets of HK$1,658.5 million which were financed by liabilities of HK$677.3 million, non-controlling interests of HK$0.2 million and equity of HK$981.0 million. The Group's net asset value per share as at 31 December 2015 amounted to HK$0.82 (31 December 2014: HK$0.80).

The Group had total cash and bank balances of HK$636.8 million as at 31 December 2015 (31 December 2014: HK$550.2 million). After deducting total bank borrowings of HK$160.2 million (31 December 2014: HK$194.1 million), the Group recorded net cash and bank balances of HK$476.6 million as at 31 December 2015 as compared to HK$356.1 million as at 31 December 2014. 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 2015, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders' equity, was 0.16 (31 December 2014: 0.20) while the Group's working capital ratio was 1.87 (31 December 2014: 1.81).

At 31 December 2015, the Group did not have any material capital expenditure commitments.

Treasury policies

The Group adopts conservative treasury policies and controls tightly over its cash and risk management. The Group's cash and cash equivalents are held mainly in 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 the PRC. 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 the PRC, most of the transactions are denominated in RMB. The conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange controls promulgated by the Chinese government. The Group has minimal exposure to exchange rate fluctuation. No financial instrument was used for hedging purposes. During the current financial year, the exchange rate of RMB has devalued and the Group will closely monitor the currency exchange risk of RMB in the near term as a result.

* *For identification purpose only*

Contracts
At 31 December 2015, the major contracts in hand for the software development and systems integration business amounted to approximately HK$426.8 million (31 December 2014: HK$351.6 million), which are all expected to be completed within one year time.

Material acquisitions and disposals of subsidiaries and associates
The Group had no material acquisition or disposal of subsidiaries and associates in 2015.

Charges on assets
At 31 December 2015, the Group's land and buildings in Hong Kong of approximately HK$75.1 million and investment properties of approximately HK$90.0 million and bank deposits of approximately HK$23.9 million were pledged to banks to secure banking facilities granted.

Future Plans for Material Investments or Capital Assets
The Group did not have any concrete future plans for material investments or capital assets as at 31 December 2015.

Contingent liabilities
At 31 December 2015, the Group did not have any significant contingent liabilities.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is firmly committed to the overall standards of corporate governance and has always recognized the importance of accountability and communication with shareholders. The Company adopted all the code provisions of Corporate Governance Code (the "CG 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 has fully complied with all the code provisions as set out in the CG Code throughout the year ended 31 December 2015, except for the following deviations:

Provision E.1.2 of the CG Code provides that the Chairman of the board should attend the annual general meeting. Mr Fang Zhong Hua could not attend the annual general meeting of the Company held on 4 June 2015 due to business commitment in the PRC. Professor Yang Bin, the President of the Company, was present to be available to answer questions at the annual general meeting.

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 2015.

BOARD OF DIRECTORS

As at the date of this Corporate Governance Report, the board of directors of the Company (the "Board") comprises six executive directors and three independent non-executive directors. The executive directors are Professor Xiao Jian Guo (Chairman), Professor Yang Bin (President), Mr Liu Jian, Ms Zuo Jin, Ms Sun Min and Ms Luo Yan, the independent non-executive directors are Mr Li Fat Chung, Ms Wong Lam Kit Yee and Mr Fung Man Yin, Sammy. 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 17 to 18 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. It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives. 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 2015. 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 CG Code.

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

Name of director	Board meetings attended/ Eligible to attend	Annual General meeting attended/ Eligible to attend
Executive Directors		
Mr Fang Zhong Hua *(Chairman)*	1/4	0/1
Professor Xiao Jian Guo	3/4	0/1
Professor Yang Bin	3/4	1/1
Ms Zuo Jin	4/4	0/1
Ms Yi Mei	0/4	0/1
Ms Liu Yu Xiao	3/4	0/1
Independent Non-executive Directors		
Mr Li Fat Chung	2/4	1/1
Ms Wong Lam Kit Yee	2/4	1/1
Mr Fung Man Yin, Sammy	2/4	1/1

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

Each newly appointed director is provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant statutes, laws, rules and regulations.

Directors' training is an ongoing process. During the year, directors are provided with monthly updates on the Company's performance, position and prospects to enable the board as a whole and each director to discharge their duties. In addition, all directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company updates directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

Corporate Governance Report

All directors have participated in continuous professional development and have provided to the Company the records of the training they received during the financial year ended 31 December 2015. The individual training record of each director received for the year ended 31 December 2015 is summarised below:

Name of Director	Briefings and updates on the business, operations and corporate governance matters	Attending seminars, workshops or self-study of materials relevant to the business or directors' duties
Executive Directors		
Mr Fang Zhong Hua *(Chairman)*	✓	✓
Professor Xiao Jian Guo	✓	✓
Professor Yang Bin	✓	✓
Ms Zuo Jin	✓	✓
Ms Yi Mei	✓	✓
Ms Liu Yu Xiao	✓	✓
Independent Non-executive Directors		
Mr Li Fat Chung	✓	✓
Ms Wong Lam Kit Yee	✓	✓
Mr Fung Man Yin, Sammy	✓	✓

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code. The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices in compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

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. Prior to 1 March 2016, Mr Fang Zhong Hua was the Chairman of the Board. Professor Xiao Jian Guo succeeded Mr Fang Zhong Hua as the Chairman of the Board on 1 March 2016. 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. Professor Yang Bin is the President of the Board. The President is responsible for the day-to-day management of the Group's business. Their respective role 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 of the three independent non-executive directors are professional accountants practicing 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.

REMUNERATION OF DIRECTORS

The Remuneration Committee of the Board was established in 2005 with specific written terms of reference which deal clearly with its authorities and duties. The role and functions of the committee include formulating the remuneration policy, making recommendations to the Board on the remuneration packages of all executive directors and senior management, making recommendations to the Board on 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 2015, 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 2015 is set out in Note 8 to the Company's 2015 Financial Statements.

The members of the Remuneration Committee during the year and their attendance record at the meeting are as follows:

Name of member		**Meetings attended/Eligible to attend**
Mr Li Fat Chung *(Chairman)*	*(Independent non-executive director)*	1/1
Mr Fang Zhong Hua	*(Executive director)*	0/1
Ms Wong Lam Kit Yee	*(Independent non-executive director)*	1/1

NOMINATION OF DIRECTORS

The Nomination Committee of the Board was established on 30 March 2012 with specific written terms of reference which deal clearly with its authorities and duties. The role and function of the Nomination Committee include determining the policy for the nomination of directors, setting out the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship. The Nomination Committee is also responsible for reviewing the structure, size and diversity of the board.

The Board Diversity Policy was adopted by the Board on 30 August 2013. In designing the Board's composition, Board diversity has been considered from a number of aspect including, but not limited to, gender, age, cultural and educational background, professional experience, skills, knowledge and length of services. Candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

In 2015, the Nomination Committee met once to review the structure, size and diversity of the Board, nomination procedure and the independence of the independent non-executive directors, and to recommend the Board on the appointment and reappointment of directors and succession planning for directors.

The members of the Nomination Committee during the year and their attendance record at the meeting are as follow:

Name of member		Meetings attended/Eligible to attend
Mr Fang Zhong Hua *(Chairman)*	*(Executive director)*	0/1
Ms Wong Lam Kit Yee	*(Independent non-executive director)*	1/1
Mr Fung Man Yin, Sammy	*(Independent non-executive director)*	1/1

AUDIT COMMITTEE

The Audit Committee of the Board has been established in 1998 in compliance with rule 3.21 of the Listing Rules with specific written terms of reference which deal clearly with its authorities and duties. Its terms of reference amended and adopted by the Board in February 2016, can be found on the Company's website (www.irasia.com/listco/hk/founder) and The Stock Exchange of Hong Kong Limited's website (www.hkexnews.hk). The Audit Committee now solely comprises independent non-executive directors of the Company, namely, Mr Li Fat Chung (Chairman), Ms Wong Lam Kit Yee and Mr Fung Man Yin, Sammy. 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, overseeing the Company's financial reporting system, risk management and internal control systems and developing and reviewing policies and practices or corporate governance.

In 2015, the Audit Committee met three times. During the meetings, the Audit 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 report of the members of the Audit Committee at the meetings are as follows:

Name of member		Meetings attended/Eligible to attend
Mr Li Fat Chung *(Chairman)*	*(Independent non-executive director)*	3/3
Ms Wong Lam Kit Yee	*(Independent non-executive director)*	3/3
Mr Fung Man Yin, Sammy	*(Independent non-executive director)*	3/3

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 and was adequate 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	2,300
Non-audit services:	
Agreed-upon procedures on interim results	370
Limited assurance services on continuing connected transactions	40
Compliance and tax advisory services	90
	500
Total	2,800

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the financial statements of the Group for the year ended 31 December 2015 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 24 to 25 of this Annual Report.

COMPANY SECRETARY

Ms Tang Yuk Bo, Yvonne has been the company secretary of the Company since 20 November 2000. Ms Tang has taken relevant professional training to comply with Rule 3.29 of the Listing Rules for the year ended 31 December 2015.

COMMUNICATION WITH SHAREHOLDERS

The Company affirms its commitment to maintaining a high degree of corporate transparency, communicating regularly with its shareholders and ensuring, in appropriate circumstances, the investment community at large being provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable the shareholders to exercise their rights in an informed manner.

Corporate Governance Report

THE SHAREHOLDERS' RIGHTS TO CONVENE A SPECIAL GENERAL MEETING

Pursuant to Section 74 of the Companies Act 1981 of Bermuda and Bye-law 62 of the Bye-laws of the Company, special general meetings shall be convened on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings of the Company. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring a special general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within three months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner.

CONSTITUTIONAL DOCUMENTS

The Company did not make any changes in its Memorandum of Association and New Bye-laws during the year.

ON BEHALF OF THE BOARD

Xiao Jian Guo
Chairman

Hong Kong
23 March 2016

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Professor Xiao Jian Guo, aged 59, has been an executive director of the Company since May 2001 and was re-designated from Deputy Chairman of the Company to the Chairman of the Company on 1 March 2016. He is also the director and Chief Technical Officer of Peking University Founder Group Company Limited* (北大方正集團有限公司) ("Peking Founder"), the substantial shareholder of the Company. He is a director of associated companies of Peking Founder. He is a professor and a supervisor of PhD students of the Peking University. He graduated from the Department of Computer Science at the College of Dalian Ocean Communication with a bachelor's degree in 1982 and obtained a master's degree in Computer Science at Peking University.

Professor Yang Bin, aged 46, is the President and an executive director of the Company since December 2011. He is also the Chairman and the President of Beijing Founder Electronics Co., Ltd. ("Founder Electronics"), a subsidiary of the Company. He obtained a master's degree of Computer Science at Peking University in 1994. Professor Yang has extensive experience in the research and development in the information technology industry. He was awarded the "Major Technological Inventions of Information Industry Award" (信息產業重大技術發明獎) by Ministry of Information Industry in the PRC (國家信息產業部), "China's Top Ten Scientific and Technological Progress in Higher Education Award" (中國高等學校十大科技進展獎) by Ministry of Education in the PRC (國家教育部), and First prize of Electronic Information Science and Technology Award (電子信息科學技術獎一等獎) by Chinese Institute of Electronics (中國電子學會).

Mr Liu Jian, aged 53, is an executive director of the Company since March 2016. Mr Liu is the vice president and member of executive committee of Peking Founder. He is also the chief executive officer and director of Peking University Founder Information Industry Group Co., Ltd.* (北大方正信息產業集團有限公司) ("PKU Founder Information"), the subsidiary of Peking Founder and substantial shareholder of the Company. He is a director of associated companies of PKU Founder Information. He received his bachelor's degree at Nanjing University of Information Science & Technology (南京信息工程大學) and master degree in weather dynamics at Institute of Atmospheric Physics, Chinese Academy of Sciences (中國科學院大氣物理研究所) in the People Republic of China. He was formerly the general manager of Founder Broadband Network Service Co., Ltd. (方正寬頻網路服務有限公司). He has extensive experience in corporate strategic investment.

Ms Zuo Jin, aged 42, is an executive director of the Company since March 2014 and the vice president and chief financial officer of PKU Founder Information. She is the director of Founder Technology Group Corporation (Stock code: 600601), a company listed in the Shanghai Stock Exchange. She is the director of Beijing Founder EasiPrint Digital Technology Co., Ltd.* (北京方正印捷數碼技術有限公司) and Zhu Hai Te Hui Software System Co., Ltd.* (珠海方正特會軟件系統有限公司), subsidiaries of the Company. Ms Zuo received her bachelor's degree in Economics at University of International Business and Economics in the PRC and is a Certified Public Accountant in the PRC. Prior to joining Peking Founder in 2003, she was a manager of an international firm of Certified Public Accountants. Ms Zuo has extensive knowledge and experience in financial management.

Ms Sun Min, aged 39, is an executive director of the Company since March 2016. Ms Sun is the vice president and member of executive committee of Peking Founder in charge of administration and internal audit departments of Peking Founder. She is the director of Founder Technology Group Corporation (Stock code: 600601), a company listed in the Shanghai Stock Exchange. She is a director of associated companies of Peking Founder. Ms Sun received her bachelor's degree in audit at Hangzhou Dianzi University in the People's Republic of China and is a Certified Public Accountant in the People's Republic of China. Prior to joining Peking Founder in 2007, she was a manager of an international firm of Certified Public Accountants. Ms Sun has extensive knowledge and experience in financial management.

Ms Luo Yan, aged 42, is an executive director of the Company since March 2016. Ms Luo is the financial controller of Founder Electronics. She received her bachelor's degree in petroleum geology at Northeast Petroleum University and master degree in petroleum reservoir engineering at China University of Geosciences in the People's Republic of China. She was formerly the operation controller of Founder Electronics. She has extensive knowledge and experience in strategic and financial management.

* *For identification purpose only*

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Li Fat Chung, aged 55, is an independent non-executive director of the Company since December 1999. He is also the independent non-executive director of Peking University Resources (Holdings) Company Limited (Stock code: 00618), a company listed on the main board of The Stock Exchange of Hong Kong Limited and a related company of the Company. Mr Li is a director of Chan, Li, Law CPA Limited 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 Accountants 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 52, is an independent non-executive director of the Company since September 2004. She is also the independent non-executive director of Peking University Resources (Holdings) Company Limited (Stock code: 00618), a company listed on the main board of The Stock Exchange of Hong Kong Limited and a related company of the Company. 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.

Mr Fung Man Yin, Sammy, aged 56, is an independent non-executive director of the Company since June 2011. He is the Group Financial Controller of a listed company, the shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited. Mr Fung was the Group Financial Controller of Management Investment & Technology (Holdings) Limited (now known as Peking University Resources (Holdings) Company Limited, and is a related company of the Company) from 1992 to 2000, and the Group Financial Controller of the Company from 2000 to 2006. He has over 20 years of experience in financial management of listed companies. Mr Fung holds a first class honours degree in Economics and Accounting from the Newcastle University, England. Mr Fung is a fellow member of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants. He worked with several international accounting firms in England and Hong Kong for 10 years, and he had been a practising certified public accountant in Hong Kong for 20 years.

Report of the Directors

The directors present their report and the audited financial statements for the year ended 31 December 2015.

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 1 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 2015 and the Group's financial position at that date are set out in the financial statements on pages 26 to 109.

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

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing are set out in the sections headed "Management Discussion and Analysis" on pages 4 to 9 of the annual report.

The financial risk management objectives and policies of the Group are set out in note 35 to the financial statements.

An analysis of Group's performance during the year using financial key performance indicators is set out in the sections headed "Management Discussion and Analysis" on pages 4 to 9 and "Financial Highlights" on page 3 of the annual report.

Discussions on the Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are set out below.

Environmental Policies and Performance

Environmental Protection

The Group promotes environmental protection by raising the employees' awareness of resource saving and efficient use of energy. In recent years, the Group has implemented several policies to encourage employees for saving energy and paper. All these policies aim at reducing resources and saving costs which are beneficial to the environment and meet the commercial goals of the Group.

Operating Practices

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The Group upholds high standards of operating practices and complies with the relevant standards. The Group has stringent requirements to maintain high levels of quality control and responsible business practices. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

Relationship with Employees, Suppliers and Customers

The Group believes that employees are important assets and provides competitive remuneration packages to attract and retain employees. The management regularly reviews the Group's remuneration to its employees is up to prevailing market standard.

The Group values mutually beneficial long standing relationships with its suppliers and customers. The Group aims at delivering high quality products to its customers and developing on mutual trust among its suppliers.

Report of the Directors

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 112. This summary does not form part of the audited financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in note 28 to the financial statements.

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.

DISTRIBUTABLE RESERVES

At 31 December 2015, the Company's reserves available for distribution amounted to approximately HK$192,818,000. In addition, the Company's share premium account, in the amount of approximately HK$53,597,000, 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 33% of the total purchases for the year and purchase from the largest supplier included therein amounted to 9%.

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 interests in the Group's five largest suppliers and customers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr Fang Zhong Hua
Professor Xiao Jian Guo
Professor Yang Bin
Ms Yi Mei
Ms Zuo Jin
Ms Liu Yu Xiao

Independent non-executive directors:

Mr Li Fat Chung
Ms Wong Lam Kit Yee
Mr Fung Man Yin, Sammy

Subsequent to the end of the reporting period, on 1 March 2016, Mr Fang Zhong Hua, Ms Yi Mei and Ms Liu Yu Xiao resigned as executive directors of the Company. On the same date, Mr Liu Jian, Ms Sun Min and Ms Luo Yan was appointed as executive directors of the Company.

In accordance with the bye-laws of the Company, Professor Xiao Jian Guo, Mr Liu Jian, Ms Sun Min, Ms Luo Yan and Mr Fung Man Yin, Sammy will retire and, being eligible, 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 Mr Fung Man Yin, Sammy, 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 17 to 18 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' EMOLUMENTS

The emoluments of the directors of the Company are determined by reference to the market rates, commitments, contribution and their duties and responsibilities within the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which any of the Company's subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE

As at 31 December 2015, none of the directors had registered an interest or short position in the shares, underlying shares or debenture of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the Securities and Futures Ordinance (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").

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2015, so far it is known to the directors of the Company, 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:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
北大資產經營有限公司 (Peking University Asset Management Company Limited*)	1	Through a controlled corporation	367,179,610	30.60
北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder")	2	Through a controlled corporation	367,179,610	30.60
北大方正信息產業集團有限公司 (Peking University Founder Information Industry Group Co., Ltd.*) ("PKU Founder Information")		Directly beneficially owned	367,179,610	30.60

* *For identification purpose only*

Notes:

1. Peking University Asset Management Company Limited was deemed to be interested in the 367,179,610 shares under the SFO by virtue of its interest in Peking Founder.

2. Peking Founder was deemed to be interested in the 367,179,610 shares under the SFO by virtue of its interest in PKU Founder Information.

Save as disclosed above, so far it is known to the directors of the Company, as at 31 December 2015, no person 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.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Company and the Group had the following continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Continuing connected transactions

The independent non-executive directors of the Company have reviewed the continuing connected transactions set out in notes 32(I)(b) to 32(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 agreements 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.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

DISCLOSURES PURSUANT TO RULES 13.21 AND 13.22 OF THE LISTING RULES

In accordance with the disclosure requirements of Rule 13.21 of the Listing Rules, the following disclosures are included in respect of one of the Company's subsidiary's loan agreements, which contain covenants requiring performance obligations of the controlling shareholder of the Company. Pursuant to a loan agreement dated 6 January 2015 between Founder (Hong Kong) Limited, a wholly-owned subsidiary of the Company, the Company and DBS Bank (Hong Kong) Limited relating to loan facility of US$25 million, a termination event would arise if Peking Founder ceased to own beneficially, directly or indirectly, at least 25% of the shares in the Company's issued capital.

SUFFICIENCY OF PUBLIC FLOAT

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

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

Xiao Jian Guo
Chairman

Hong Kong
23 March 2016

Independent Auditors' Report

Ernst & Young
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To the shareholders of Founder Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Founder Holdings Limited (the "Company") and its subsidiaries set out on pages 26 to 109, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, 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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong

23 March 2016

Consolidated Statement of Profit or Loss

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
REVENUE	5	**963,628**	1,079,869
Cost of sales		**(565,653)**	(716,389)
Gross profit		**397,975**	363,480
Other income and gains	5	**88,839**	81,579
Selling and distribution expenses		**(239,544)**	(237,297)
Administrative expenses		**(90,563)**	(76,915)
Other expenses, net		**(122,861)**	(111,519)
Finance costs	7	**(8,150)**	(8,599)
Share of profits and losses of associates		**(166)**	61
PROFIT BEFORE TAX	6	**25,530**	10,790
Income tax	10	**(18,268)**	(4,404)
PROFIT FOR THE YEAR		**7,262**	6,386
Attributable to:			
Owners of the parent		**7,382**	6,381
Non-controlling interests		**(120)**	5
		7,262	6,386
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic and diluted		**HK0.6 cents**	HK0.5 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
PROFIT FOR THE YEAR	7,262	6,386
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income of associates	7	(290)
Exchange differences on translation of foreign operations	(34,769)	(14,689)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	(34,762)	(14,979)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Revaluation surplus of land and buildings	55,171	7,461
Income tax effect	(7,984)	577
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	47,187	8,038
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	12,425	(6,941)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	19,687	(555)
Attributable to:		
Owners of the parent	19,823	(551)
Non-controlling interests	(136)	(4)
	19,687	(555)

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**329,561**	302,725
Investment properties	13	**99,648**	96,321
Investments in associates	14	**5,148**	6,189
Available-for-sale investments	15	**6,682**	9,564
Intangible assets	16	**9,795**	7,403
Deferred tax assets	26	**1,367**	–
Pledged deposits	21	**1,791**	–
Total non-current assets		**453,992**	422,202
CURRENT ASSETS			
Inventories	17	**77,281**	71,196
Gross amount due from contract customers	18	**27,142**	45,400
Trade and bills receivables	19	**156,093**	257,597
Prepayments, deposits and other receivables	20	**307,767**	344,028
Equity investments at fair value through profit or loss	22	**922**	–
Pledged deposits	21	**22,145**	25,691
Cash and cash equivalents	21	**612,873**	524,545
Tax recoverable		**276**	1,428
Total current assets		**1,204,499**	1,269,885
CURRENT LIABILITIES			
Trade and bills payables	23	**66,158**	130,504
Gross amount due to contract customers	18	**28,638**	12,304
Other payables and accruals	24	**382,637**	361,228
Interest-bearing bank borrowings	25	**160,190**	194,135
Tax payable		**5,052**	2,298
Total current liabilities		**642,675**	700,469
NET CURRENT ASSETS		**561,824**	569,416
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,015,816**	991,618
NON-CURRENT LIABILITIES			
Deferred tax liabilities	26	**34,604**	30,093
Net assets		**981,212**	961,525

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital	27	119,975	119,975
Reserves	29	860,992	841,169
		980,967	961,144
Non-controlling interests		245	381
Total equity		981,212	961,525

Xiao Jian Guo
Director

Yang Bin
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

		Attributable to owners of the parent										
	Note	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Employee share-based compensation reserve HK$'000	Land and buildings revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	General reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non–controlling interests HK$'000	Total equity HK$'000
At 1 January 2014		115,985	40,778	867,910	5,479	238,772	59,842	54,562	(433,442)	949,886	385	950,271
Profit for the year		–	–	–	–	–	–	–	6,381	6,381	5	6,386
Other comprehensive income for the year:												
Revaluation surplus of land and buildings, net of tax		–	–	–	–	8,038	–	–	–	8,038	–	8,038
Share of other comprehensive loss of associates		–	–	–	–	–	(290)	–	–	(290)	–	(290)
Exchange differences on translation of foreign operations		–	–	–	–	–	(14,680)	–	–	(14,680)	(9)	(14,689)
Total comprehensive income for the year		–	–	–	–	8,038	(14,970)	–	6,381	(551)	(4)	(555)
Issue of shares	27	3,990	12,819	–	(5,000)	–	–	–	–	11,809	–	11,809
Transfer of employee share-based compensation reserve upon the expiry of share options		–	–	–	(479)	–	–	–	479	–	–	–
Transfer to general reserve		–	–	–	–	–	–	122	(122)	–	–	–
At 31 December 2014		119,975	53,597*	867,910*	–*	246,810*	44,872*	54,684*	(426,704)*	961,144	381	961,525

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Attributable to owners of the parent									
	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Land and buildings revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	General reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non–controlling interests HK$'000	Total equity HK$'000
At 1 January 2015	119,975	53,597	867,910	246,810	44,872	54,684	(426,704)	961,144	381	961,525
Profit for the year	–	–	–	–	–	–	7,382	7,382	(120)	7,262
Other comprehensive income for the year:										
Revaluation surplus of land and buildings, net of tax	–	–	–	47,187	–	–	–	47,187	–	47,187
Share of other comprehensive income of associates	–	–	–	–	(17)	24	–	7	–	7
Exchange differences on translation of foreign operations	–	–	–	–	(34,753)	–	–	(34,753)	(16)	(34,769)
Total comprehensive income for the year	–	–	–	47,187	(34,770)	24	7,382	19,823	(136)	19,687
Transfer to general reserve	–	–	–	–	–	1,834	(1,834)	–	–	–
At 31 December 2015	119,975	53,597*	867,910*	293,997*	10,102*	56,542*	(421,156)*	980,967	245	981,212

* These reserve accounts comprise the consolidated reserves of HK$860,992,000 (2014: HK$841,169,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**25,530**	10,790
Adjustments for:			
Finance costs	7	**8,150**	8,599
Share of profits and losses of associates		**166**	(61)
Interest income	5	**(19,723)**	(19,050)
Write-back of trade and other payables		**–**	(552)
Fair value gains on investment properties	5	**(3,770)**	(2,058)
Gain on disposal of items of property, plant and equipment	5	**(180)**	(33)
Fair value gains on equity investment at fair value through profit or loss	5	**(614)**	–
Depreciation	6	**16,779**	17,729
Impairment of property, plant and equipment	6	**3,342**	–
Amortisation of intangible assets	6	**7,567**	2,538
Impairment of intangible assets	6	**1,673**	–
Impairment of trade receivables	6	**10,192**	9,905
Reversal of impairment of trade receivables	6	**(1,583)**	–
Impairment of other receivables	6	**5,357**	533
Impairment of available-for-sale investments	6	**1,236**	5,742
Loss on termination of finance lease	6	**–**	4,444
		54,122	38,526
Increase in inventories		**(6,085)**	(21,217)
Decrease/(increase) in gross amount due from contract customers		**18,258**	(33,904)
Decrease/(increase) in trade and bills receivables		**92,895**	(49,415)
Increase in prepayments, deposits and other receivables		**(18,088)**	(11,022)
Increase/(decrease) in trade and bills payables		**(64,346)**	24,462
Increase in gross amount due to contract customers		**16,334**	2,422
Increase in other payables and accruals		**21,409**	85,683
Exchange differences		**(9,142)**	(1,656)
Cash generated from operations		**105,357**	33,879
Interest received		**3,172**	3,408
Interest paid		**(8,150)**	(8,599)
Hong Kong profits tax refund/(paid)		**881**	(1,567)
Mainland of the People's Republic of China ("Mainland China" or the "PRC") corporate income tax paid		**(18,598)**	(6,542)
Net cash flows from operating activities		**82,662**	20,579

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**16,743**	15,711
Dividend received from an associate		**207**	413
Purchases of items of property, plant and equipment		**(3,530)**	(6,295)
Purchase of equity investments at fair value through profit or loss		**(364)**	–
Addition of intangible assets	16	**(12,142)**	(2,500)
Proceeds from disposal of items of property, plant and equipment		**204**	62
Capital withdrawal from an associate		**675**	–
Increase in non-pledged time deposits with original maturity of more than three months when acquired		**(128,902)**	(13,114)
Advances of entrusted loans to related companies		**(483,800)**	(503,568)
Repayment of entrusted loans from related companies		**532,600**	484,388
Decrease/(increase) in pledged deposits		**1,755**	(13,832)
Net cash flows used in investing activities		**(76,554)**	(38,735)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	27	**–**	11,809
New bank loans		**125,814**	125,573
Repayment of bank loans		**(107,654)**	(133,557)
Decrease in trust receipt loans		**(42,949)**	(25,842)
Net cash flows used in financing activities		**(24,789)**	(22,017)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(18,681)**	(40,173)
Cash and cash equivalents at beginning of year		**507,683**	557,403
Effect of foreign exchange rate changes, net		**(18,145)**	(9,547)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**470,857**	507,683
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**455,851**	369,425
Non-pledged time deposits		**157,022**	155,120
Cash and cash equivalents as stated in the consolidated statement of financial position		**612,873**	524,545
Non-pledged time deposits with original maturity of more than three months when acquired		**(142,016)**	(13,114)
Bank overdraft	25	**–**	(3,748)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**470,857**	507,683

Notes to Financial Statements

31 December 2015

1. CORPORATE AND GROUP INFORMATION

Founder Holdings Limited (the "Company") 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 Company and its subsidiaries (collectively referred to as the "Group") was principally engaged in software development, systems integration and distribution of information products.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Founder (Hong Kong) Limited ("Founder HK")	Hong Kong	Ordinary HK$977,974,378	100	–	Information products distribution and investment holding
Beijing Founder Electronics Co., Ltd. ("Founder Electronics") #*	PRC/ Mainland China	Registered HK$230 million	–	100	Software development, systems integration and information products distribution
北京方正印捷數碼技術有限公司 (Beijing Founder EasiPrint Digital Technology Co., Ltd.@) ("Founder EasiPrint")^*	PRC/ Mainland China	Registered RMB50 million	–	100	Software development, systems integration and information products distribution
北京方正數字印刷技術有限公司 (Beijing Founder Digital Printing Technology Co., Ltd.@) ("Founder Digital Printing") ^*	PRC/ Mainland China	Registered RMB5 million	–	100	Information products distribution
Founder Electronics (HK) Limited	Hong Kong	Ordinary HK$2	–	100	Systems integration and information products distribution

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Royal Bright Limited	Hong Kong	Ordinary HK$2	–	100	Property holding
Royal Leader Limited	Hong Kong	Ordinary HK$2	–	100	Property holding
Royal Power Limited	Hong Kong	Ordinary HK$2	–	100	Property holding
Sharp Century Limited	Hong Kong	Ordinary HK$2	–	100	Property holding
PUC Founder (M) Sdn. Bhd.*	Malaysia	Ordinary RM500,000	–	100	Investment holding

@ For identification purpose only

* 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

^ Registered as limited liability companies 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.

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 ("HKICPA") , accounting principles generally accepted in Hong Kong and disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, buildings classified as property, plant and equipment, available-for-sale investments and equity investments at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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 any 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, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010–2012 Cycle
Annual Improvements to HKFRSs 2011–2013 Cycle

The nature and the impact of each amendment is described below:

(a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

(b) The *Annual Improvements to HKFRSs 2010–2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group.

- HKAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

(c) The *Annual Improvements to HKFRSs 2011–2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- HKFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

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

(c) (continued)

- HKAS 40 *Investment Property*: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as the Group did not acquire any investment properties during the year.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

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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 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012–2014 Cycle	*Amendments to a number of HKFRSs*[1]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

4 No mandatory effective date determined but available for adoption.

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

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

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

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

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures 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.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement

The Group measures its land and buildings, investment properties, equity investments at fair value through profit or loss and available-for-sale investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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, systems integration contract assets, financial assets and investment properties), 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 of disposal, 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 statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an 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 statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

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

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation 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 statement of profit or loss 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 depreciates them accordingly.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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:

Land and buildings	Over the lease terms
Leasehold improvements	20% or over the lease terms, whichever is shorter
Furniture, fixtures and office equipment	20% to $33^{1}/_{3}\%$
Motor vehicles	10% to 30%
Machinery and equipment	$16^{2}/_{3}\%$ to 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation 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 including 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 statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Patents and licences

Purchased patents and patents application rights are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 3 years.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding three years, commencing from the date when the products are put into commercial production.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the lessee, other than legal title, are accounted for as finance leases. Where the Group is the lessor, amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases, and finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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 lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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.

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

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 and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

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 primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) 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, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred assets to the extent of the Group's continuing involvement. 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.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have 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 whether impairment exists individually 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.

The amount of any impairment loss identified 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 yet 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).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount 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.

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 write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss — is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, 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.

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

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

Subsequent measurement

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

Loans and borrowings

After initial recognition, interest-bearing bank 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 statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate 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 statement of profit or loss.

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 statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated 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 consolidated 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.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 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:

- when 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, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

The carrying amount of deferred tax assets is reviewed at 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 on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

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

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

(b) from systems integration contracts, on the percentage of completion basis, as further explained in the accounting policy for "Systems integration contracts" below;

(c) from the rendering of services, in the period in which the services are rendered;

(d) rental income, on a time proportion basis over the lease terms;

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

(f) dividend income, when the shareholders' right to receive payment has been established.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Systems integration contracts

Contract revenue comprises the agreed contract amounts and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed overheads.

Revenue from fixed price systems integration contracts is recognised using the percentage of completion method, measured by reference to the percentage of work completed to date to the estimated total work of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Share-based payments

The Company operates a share option scheme 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 payments, 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, further details of which are given in note 28 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, 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 statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments *(continued)*

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 payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. 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.

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

Other employee benefits

Pension schemes

The Group operates defined contribution retirement benefit schemes for those employees who are eligible to participate. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the respective schemes. The assets of the schemes are held separately from those of the Group in an independently administered fund.

When an employee leaves the Mandatory Provident Fund Exempted Occupational Retirement Schemes Ordinance retirement benefits scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group will be reduced by the relevant amount of forfeited employer contributions. In respect of the Mandatory Provident Fund retirement benefit scheme, the Group's employer mandatory contributions vest fully with the employees when contributed into the scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the 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 statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional 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 prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

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. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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 Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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 statement of profit or loss.

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 JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. 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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty

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 described below.

Impairment of trade receivables

The Group maintains an allowance for 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 19 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 market 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.

Percentage of completion of systems integration contracts

The Group recognises revenue and costs according to the stage of completion of individual contracts. The stage of completion is estimated by reference to the proportion of work completed to date to the estimated total work of the relevant contract. Because of the nature of the activity undertaken in systems integration contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. Management reviews and revises the estimates of both contract revenue and contract costs for each contract as the contract progresses. Management estimates the amount of foreseeable losses of systems integration contracts based on the budgets prepared for the systems integration contracts.

Fair value of investment properties and land and buildings

Investment properties and land and buildings are carried in the statement of financial position at their fair values. The fair value was based on a valuation on the properties conducted by an independent firm of professionally qualified valuers using property valuation techniques which involve making assumptions on certain market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair values of the Group's investment properties and land and buildings and the corresponding adjustments to the gain or loss recognised in the statement of profit or loss and asset revaluation reserve, respectively. Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in notes 13 and 12 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profits will be available against which the losses and 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 total amount of unrecognised deductible temporary differences and unrecognised tax losses at 31 December 2015 was approximately HK$361,549,000 (2014: HK$377,255,000). Further details are included in note 26 to the financial statements.

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 31 December 2015, the best estimate of the carrying amount of capitalised development costs was HK$3,562,000 (2014: HK$7,403,000).

Impairment of available-for-sale financial assets

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the statement of profit or loss. During the year ended 31 December 2015, impairment loss of HK$1,236,000 has been recognised for available-for-sale assets (2014: HK$5,742,000). The carrying amount of available-for-sale assets was HK$6,682,000 (2014: HK$9,564,000)

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) the software development, systems integration and information products distribution for media business segment provides electronic publishing and printing systems and information products to media companies;

(b) the information products distribution for non-media business segment provides information products to financial institutions, enterprises and government departments;

(c) the corporate segment comprises corporate income and expense items; and

(d) the "others" segment comprises principally rental income from investment properties.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income, net foreign exchange differences, finance costs and share of profits and losses of associates as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude pledged deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

	Software development, systems integration and information products distribution for media business		Information products distribution for non-media business		Corporate		Others		Total	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Segment revenue:										
Sales to external customers	**925,517**	915,246	**37,619**	164,166	**–**	–	**492**	457	**963,628**	1,079,869
Revenue									**963,628**	1,079,869
Segment results	**29,271**	10,487	**886**	616	**(12,108)**	(11,355)	**964**	1,719	**19,013**	1,467
Reconciliation:										
Interest income									**19,723**	19,050
Foreign exchange differences, net									**(4,890)**	(1,189)
Finance costs									**(8,150)**	(8,599)
Share of profits and losses of associates									**(166)**	61
Profit before tax									**25,530**	10,790

4. OPERATING SEGMENT INFORMATION *(continued)*

	Software development, systems integration and information products distribution for media business		Information products distribution for non-media business		Others		Total	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
Segment assets	828,702	880,172	60,706	141,199	173,378	162,984	1,062,786	1,184,355
Reconciliation:								
Elimination of intersegment receivables							(48,301)	(50,350)
Investments in associates							5,148	6,189
Corporate and other unallocated assets							638,858	551,893
Total assets							1,658,491	1,692,087
Segment liabilities	540,491	547,800	6,615	23,493	10,638	10,469	557,744	581,762
Reconciliation:								
Elimination of intersegment payables							(48,301)	(50,350)
Corporate and other unallocated liabilities							167,836	199,150
Total liabilities							677,279	730,562
Other segment information:								
Impairment losses recognised in the statement of profit or loss	21,620	10,071	180	6,109	–	–	21,800	16,180
Depreciation and amortisation	21,585	18,511	2,723	1,750	38	6	24,346	20,267
Capital expenditure*	15,374	4,551	43	1,735	255	9	15,672	6,295

* Capital expenditure consists of additions to property, plant and equipment and acquisition of intangible assets.

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) *Revenue from external customers*

	2015 HK$'000	2014 HK$'000
Hong Kong	38,241	170,447
Mainland China	925,250	909,332
Others	137	90
	963,628	1,079,869

The revenue information above is based on the locations of the customers.

(b) *Non-current assets*

	2015 HK$'000	2014 HK$'000
Hong Kong	173,325	162,948
Mainland China	269,388	243,989
Others	11,279	15,265
	453,992	422,202

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

Information about a major customer

During the year ended 31 December 2015 and 31 December 2014, there was no revenue derived from transactions with a single external customer which individually amounted to 10% or more of the Group's revenue.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of systems integration contracts; and the value of services rendered during the year.

An analysis of revenue, other income and gains is as follows:

	Note	2015 HK$'000	2014 HK$'000
Revenue			
Software development, systems integration and information products distribution		963,136	1,079,412
Others		492	457
		963,628	1,079,869
Other income			
Bank interest income		3,172	3,452
Other interest income		16,551	15,598
Gross rental income		3,050	1,768
Government grants (note a)		59,143	40,657
Others		2,359	7,670
		84,275	69,145
Gains			
Fair value gains on investment properties	13	3,770	2,058
Fair value gains on equity investments at fair value through profit or loss		614	–
Gain on transfer of intellectual properties (note b)		–	10,343
Gain on disposal of items of property, plant and equipment		180	33
		4,564	12,434
		88,839	81,579

Notes:

a. Various government grants have been received for the sale of software approved by the PRC tax authority and the development of software in Mainland China. The government grants have been recognised upon sale of approved software and completion of the development of related software, respectively. There are no unfulfilled conditions or contingencies relating to these grants.

b. On 18 March 2013, Peking University Founder Group Company Limited*（北大方正集團有限公司）("Peking Founder"), the substantial shareholder of the Company, and Founder Electronics, an indirect wholly-owned subsidiary of the Company, entered into the Intellectual Properties Transfer Agreement with China Digital Video (Beijing) Limited*（新奧特（北京）視頻技術有限公司）("China Digital Video") to transfer their titles and interests in certain patents, patent application rights, trademarks and the software to China Digital Video. On the same date, Peking Founder, Founder Electronics and Peking University entered into the Patent Licensing Agreement with China Digital Video to grant certain exclusive rights to use the patents and patent application rights for the entire validity period to China Digital Video.

Further details of the transactions were set out in the announcement of the Company dated 18 March 2013 and the circular of the Company dated 16 April 2013.

During the year ended 31 December 2014, a gain of HK$10,343,000 from the above transactions has been recognised in other income and gains in the statement of profit or loss.

* *For identification purpose only*

6. PROFIT BEFORE TAX

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

	Notes	2015 HK$'000	2014 HK$'000
Auditors' remuneration		**2,300**	2,200
Cost of inventories sold**		**481,917**	640,500
Depreciation	12	**16,779**	17,729
Amortisation of patents and acquired software*	16	**3,984**	–
Loss on termination of finance lease*		**–**	4,444
Minimum lease payments under operating leases		**15,331**	15,041
Impairment of trade receivables*	19	**10,192**	9,905
Reverse of impairment of trade receivables*	19	**(1,583)**	–
Impairment of others receivables*	20	**5,357**	533
Impairment of available-for-sale investments*	15	**1,236**	5,742
Impairment of property, plant and equipment*	12	**3,342**	–
Impairment of intangible assets*	16	**1,673**	–
Provision for obsolete inventories**		**2,044**	391
Research and development costs:			
Current year expenditure*		**81,961**	85,680
Amortisation of capitalised software costs*	16	**3,583**	2,538
Employee benefit expense (including directors' remuneration — note 8):			
Wages and salaries		**233,723**	218,339
Pension scheme contributions***		**24,722**	25,620
Termination benefits		**10,941**	–
Less: Amount capitalised		**–**	(2,500)
		269,386	241,459
Foreign exchange differences, net		**4,890**	1,189
Direct operating expenses (including repair and maintenance) arising on rental-earning investment properties		**798**	841

* These items are included in "Other expenses, net" in the consolidated statement of profit or loss.

** These items are included in "Cost of sales" in the consolidated statement of profit or loss.

*** At 31 December 2015, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2014: Nil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2015 HK$'000	2014 HK$'000
Interest on bank loans and overdrafts	8,150	8,599

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2015 HK$'000	2014 HK$'000
Fees	402	402
Other emoluments:		
Salaries, allowances and benefits in kind	1,112	2,878
Performance related bonuses*	810	1,360
Pension scheme contributions	54	56
	1,976	4,294
	2,378	4,696

* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to the performance of the Group's operations.

8. DIRECTORS' REMUNERATION *(continued)*

(a) Independent non-executive directors

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

	2015 HK$'000	2014 HK$'000
Mr Li Fat Chung	138	138
Ms Wong Lam Kit Yee	132	132
Mr Fung Man Yin, Sammy	132	132
	402	402

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

(b) Executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2015					
Mr Fang Zhong Hua[3]	–	–	–	–	–
Professor Xiao Jian Guo	–	176	–	–	176
Professor Yang Bin	–	936	810	54	1,800
Ms Yi Mei[3]	–	–	–	–	–
Ms Liu Yu Xiao[3]	–	–	–	–	–
Ms Zuo Jin	–	–	–	–	–
	—	1,112	810	54	1,976
2014					
Mr Fang Zhong Hua	–	190	–	–	190
Professor Xiao Jian Guo	–	1,551	831	–	2,382
Professor Yang Bin	–	897	529	56	1,482
Ms Yi Mei	–	240	–	–	240
Ms Liu Yu Xiao	–	–	–	–	–
Ms Zuo Jin[1]	–	–	–	–	–
Mr Li Sheng Li[2]	–	–	–	–	–
	—	2,879	1,360	56	4,294

8. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors *(continued)*

[1] Appointed on 20 March 2014
[2] Resigned on 20 March 2014
[3] Resigned on 1 March 2016

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2014: two) director, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2014: three) non-director highest paid employees for the year are as follows:

	2015	2014
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,443**	2,527
Performance related bonuses	**1,547**	122
Pension scheme contributions	**183**	151
	5,173	2,800

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2015	2014
Nil to HK$1,000,000	**–**	2
HK$1,000,001 to HK$1,500,000	**4**	1
	4	3

10. INCOME TAX

	2015 HK$'000	2014 HK$'000
Current — Hong Kong		
Charge for the year	271	–
Current — Mainland China		
Charge for the year	5,354	1,879
Underprovision/(overprovision) in prior years	(315)	3,614
Other tax provision made in current year	16,312	–
Deferred (note 26)	(3,354)	(1,089)
Total tax charge for the year	18,268	4,404

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

PRC corporate income tax represents the tax charged on the estimated assessable profits arising in Mainland China. In general, the PRC subsidiaries of the Group are subject to the PRC corporate income tax rate of 25%, except for one PRC subsidiary which is entitled to a preferential tax rate at 15%. During the year, Founder Electronics provided corporate income tax in aggregate amount of HK$16,312,000 in respect of the government grants received previously. The amount was fully paid to the local tax bureau in 2015.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

The share of tax attributable to associates amounting to approximately HK$30,000 (2014: HK$49,000) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

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:

	2015		2014	
	HK$'000	%	HK$'000	%
Profit before tax	25,530		10,790	
Tax at the statutory tax rate	6,878	26.9	3,618	33.5
Lower tax rate for specific provinces or enacted by local authority	(3,273)	(12.8)	89	0.8
Adjustment in respect of current tax of previous periods	(315)	(1.2)	3,614	33.5
Other provision	16,312	63.9	–	–
Profits and losses attributable to associates	30	0.2	(36)	(0.3)
Income not subject to tax	(793)	(3.1)	(2,121)	(19.6)
Expenses not deductible for tax	4,530	17.7	6,198	57.4
Research and development super deduction	(5,566)	(21.8)	(5,756)	(53.4)
Tax losses utilised from previous periods	(258)	(1.0)	(6,552)	(60.7)
Tax losses not recognised	723	2.8	5,350	49.6
Tax charge at the Group's effective rate	18,268	71.6	4,404	40.8

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

The calculation of the basic and diluted 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 ordinary shares of 1,199,746,993 (2014: 1,173,368,846) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2015 and 2014.

Notes to Financial Statements

31 December 2015

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Machinery and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2015						
At 31 December 2014 and at 1 January 2015:						
Cost or valuation	279,220	11,886	45,918	14,754	13,494	365,272
Accumulated depreciation	–	(11,886)	(38,353)	(4,512)	(7,796)	(62,547)
Net carrying amount	279,220	–	7,565	10,242	5,698	302,725
At 1 January 2015, net of accumulated depreciation	279,220	–	7,565	10,242	5,698	302,725
Additions	–	429	3,092	–	9	3,530
Disposals	–	–	(24)	–	–	(24)
Surplus on revaluation	55,171	–	–	–	–	55,171
Depreciation provided during the year (Note 6)	(8,095)	(53)	(5,734)	(1,888)	(1,009)	(16,779)
Impairment (Note 6)	–	–	–	(3,342)	–	(3,342)
Exchange realignment	(10,873)	(6)	(300)	(348)	(193)	(11,720)
At 31 December 2015, net of accumulated depreciation and impairment	315,423	370	4,599	4,664	4,505	329,561
At 31 December 2015:						
Cost or valuation	315,423	12,009	44,252	13,187	11,510	396,381
Accumulated depreciation and impairment	–	(11,639)	(39,653)	(8,523)	(7,005)	(66,820)
Net carrying amount	315,423	370	4,599	4,664	4,505	329,561

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

	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Machinery and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2014						
1 January 2014:						
Cost or valuation	309,126	12,028	47,238	9,668	12,035	390,095
Accumulated depreciation	–	(11,453)	(37,151)	(1,147)	(7,291)	(57,042)
Net carrying amount	309,126	575	10,087	8,521	4,744	333,053
At 1 January 2014, net of accumulated depreciation	309,126	575	10,087	8,521	4,744	333,053
Additions	–	–	2,970	1,599	1,726	6,295
Transfer from termination of a finance lease	–	–	–	3,779	–	3,779
Disposals	–	–	(29)	–	–	(29)
Surplus on revaluation	7,461	–	–	–	–	7,461
Depreciation provided during the year	(7,845)	(566)	(5,231)	(3,428)	(659)	(17,729)
Transfer to investment properties (note 13)	(23,971)	–	–	–	–	(23,971)
Exchange realignment	(5,551)	(9)	(232)	(229)	(113)	(6,134)
At 31 December 2014, net of accumulated depreciation	279,220	–	7,565	10,242	5,698	302,725
At 31 December 2014:						
Cost or valuation	279,220	11,886	45,918	14,754	13,494	365,272
Accumulated depreciation	–	(11,886)	(38,353)	(4,512)	(7,796)	(62,547)
Net carrying amount	279,220	–	7,565	10,242	5,698	302,725

During the year, the Group recognised an impairment loss of approximately HK$3,342,000 relating to under-utilised machinery and equipment. The carrying amount of these assets was written down to their recoverable amounts of HK$4,664,000 which was determined based on the value in use of the assets using a discounted cash flow model. The future cash flows were adjusted for risks specific to these assets and discounted using a pre-tax discount rate of 4.75%.

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

The Group's land and buildings consist of certain residential properties and one commercial property in the PRC, certain commercial properties and car parking spaces in Hong Kong. The directors of the Company have determined that the land and buildings consist of three classes of asset, i.e., commercial properties, residential properties and car parking space, based on the nature, characteristics and risks of each property. The Group's land and buildings were revalued on 31 December 2015 based on valuations performed by LCH (Asia-Pacific) Surveyors Limited, independent professionally qualified valuers, at HK$315,423,000. A revaluation surplus of HK$55,171,000, resulting from the above valuations, has been credited to other comprehensive income. Each year, the Group's management decides to appoint which external valuer to be responsible for the external valuations of the Group's land and buildings. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for annual financial reporting.

Had these land and buildings been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately HK$27,268,000 (2014: HK$28,820,000).

At 31 December 2015, certain of the Group's land and buildings with a net carrying amount of approximately HK$75,080,000 (2014: HK$67,950,000) in Hong Kong were pledged to secure general banking facilities granted to the Group (note 25).

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's land and buildings:

	Fair value measurement as at 31 December 2015 using			
Recurring fair value measurement for:	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Commercial properties	–	–	76,107	76,107
Residential properties	–	–	234,254	234,254
Car parking spaces	–	–	5,062	5,062
	–	–	315,423	315,423

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

Fair value hierarchy *(continued)*

Recurring fair value measurement for:	Fair value measurement as at 31 December 2014 using Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Commercial properties	–	–	69,022	69,022
Residential properties	–	–	205,518	205,518
Car parking spaces	–	–	4,680	4,680
	–	–	279,220	279,220

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2014: Nil).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties HK$'000	**Residential properties** HK$'000	**Car parking spaces** HK$'000
Carrying amount at 1 January 2014	82,710	222,059	4,357
Net gain/(loss) from a fair value adjustment recognised in other comprehensive income	12,014	(4,963)	410
Depreciation provided during the year	(1,678)	(6,080)	(87)
Transfer to investment properties	(23,971)	–	–
Exchange realignment	(53)	(5,498)	–
Carrying amount at 31 December 2014 and 1 January 2015	**69,022**	**205,518**	**4,680**
Net gain from a fair value adjustment recognised in other comprehensive income	**9,285**	**45,358**	**528**
Depreciation provided during the year	**(2,144)**	**(5,805)**	**(146)**
Exchange realignment	**(56)**	**(10,817)**	**–**
Carrying amount at 31 December 2015	**76,107**	**234,254**	**5,062**

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

Fair value hierarchy *(continued)*

Below is a summary of the valuation techniques used and the key inputs to the valuation of land and buildings:

	Valuation techniques	Significant unobservable inputs	Range or weighted average	
			2015	2014
Commercial properties	Market approach	Adjustment on market unit price (per s.q.m.)	**0.13% to 13.58%**	-30% to 7%
Residential properties	Market approach	Adjustment on market unit price (per s.q.m.)	**-35% to -15%**	-28% to -40%
	Income approach	Adjustment on market rental (per s.q.m. and per month)	**-35% to -15%**	-25% to -40%
		Capitalisation rate	**1.69% to 1.82%**	1.66% to 1.77%
Car parking spaces	Market approach	Adjustment on market unit price (per s.q.m.)	**0%**	-15% to 0%

Under the market approach, fair value is estimated based on the unit prices of comparable properties with certain adjustments made to reflect the differences in location, neighbourhood, environment, facilities, etc.. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values. Physical, locational and economical characteristics are important criteria to be analysed when comparing such comparable properties against the subject properties.

The adjustment on market unit price is determined by referring to the differences of the subject properties against the comparable properties in terms of time, building facilities, floor, view, size, loading and the listing nature.

A significant increase/(decrease) in the unit prices of comparable in isolation would result in a significant increase/(decrease) in the fair value of the land and buildings. A significant increase/(decrease) in a positive adjustment or a significant decrease/(increase) in a negative adjustment on unit price would result in a significant increase/(decrease) in the fair value of the land and buildings.

Under the income approach, fair value is estimated by capitalising the adjusted market rental income at an adjusted market capitalisation rate. Market rental and market capitalisation rate are determined by making reference to market listing price and rental of comparable properties.

The adjustment on market rental is determined by referring to the differences of the subject property against the comparable properties in terms of building facilities, size, floor and the listing nature. The adjustment on market capitalisation rate is determined by referring to the class of comparable properties.

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

Fair value hierarchy *(continued)*

A significant increase/(decrease) in market rental in isolation would result in a significant increase/(decrease) in the fair value of the land and buildings. A significant increase/(decrease) in a positive adjustment or a significant decrease/(increase) in a negative adjustment on market rental would result in a significant increase/(decreases) in the fair value of the land and buildings. A significant increase/(decrease) in the capitalisation rate in isolation would result in a significant decrease/(increase) in the fair value of the land and buildings. A significant increase/(decrease) in the adjustment to the capitalisation rate in isolation would result in a significant decrease/(increase) in the fair value of the land and buildings.

13. INVESTMENT PROPERTIES

	2015 HK$'000	2014 HK$'000
Carrying amount at 1 January	96,321	70,292
Net gain from a fair value adjustment (note 5)	3,770	2,058
Transfer from owner-occupied properties (note 12)	–	23,971
Exchange realignment	(443)	–
Carrying amount at 31 December	99,648	96,321

The Group's investment properties consist of certain commercial properties, residential properties and car parking spaces in Hong Kong and one commercial property in the PRC. The directors of the Company have determined that the investment properties consist of three classes of asset, i.e., commercial, residential and car parking space, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2015 based on valuations performed by LCH (Asia-Pacific) Surveyors Limited, independent professionally qualified valuers, at HK$99,648,000. Each year, the Group's management decide to appoint which external valuer to be responsible for the external valuations of the Group's investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for annual financial reporting.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 31(a) to the financial statements.

At 31 December 2015, certain of the Group's investment properties with a carrying value of approximately HK$89,960,000 (2014: HK$87,030,000) were pledged to secure general banking facilities granted to the Group (note 25).

Further particulars of the Group's investment properties are included on pages 110 to 111 of the annual report.

13. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2015 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Recurring fair value measurement for:	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Commercial properties	**–**	**–**	**81,040**	**81,040**
Residential properties	**–**	**–**	**16,230**	**16,230**
Car parking spaces	**–**	**–**	**2,378**	**2,378**
	–	**–**	**99,648**	**99,648**

	Fair value measurement as at 31 December 2014 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurement for:	HK$'000	HK$'000	HK$'000	HK$'000
Commercial properties	–	–	78,621	78,621
Residential properties	–	–	15,570	15,570
Car parking spaces	–	–	2,130	2,130
	–	–	96,321	96,321

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2014: Nil).

13. INVESTMENT PROPERTIES *(continued)*

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties HK$'000	**Residential properties** HK$'000	**Car parking spaces** HK$'000
Carrying amount at 1 January 2014	54,089	14,290	1,913
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	561	1,280	217
Transfer from owner-occupied properties	23,971	–	–
Carrying amount at 31 December 2014 and 1 January 2015	**78,621**	**15,570**	**2,130**
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	**2,862**	**660**	**248**
Exchange realignment	**(443)**	**–**	**–**
Carrying amount at 31 December 2015	**81,040**	**16,230**	**2,378**

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	**unobservable inputs Significant**	**Range** 2015	2014
Commercial properties	Investment approach	Adjustment on market unit price (per s.q.m.)	**0.13% to 13.58%**	-55% to 7%
		Adopted yield	**3% to 4%**	2.5% to 2.9%
Residential properties	Investment approach	Adjustment on market unit price (per s.q.m.)	**-13.28% to 0.87%**	-8% to 15%
		Adopted yield	**2.6% to 3.2%**	2.4% to 3.2%
Car parking spaces	Investment approach	Adjustment on market unit price (per s.q.m.)	**-3.06% to 0.86%**	0.0% to 3.2%
		Adopted yield	**2.5% to 3%**	2.9% to 3.8%

Under the investment approach, fair value is estimated by capitalising the current rental income and the reversionary value of the properties after tenancies expire and by referring to market sales transactions after making relevant adjustments.

The adjustment on market unit price is determined by referring to the differences of the subject properties against the comparable properties in terms of time, size, view, floor and floor loading. The yields adopted are determined by referring to the current yields of the subject properties and the market yields published by the Rating and Valuation Department regarding the respective property types.

A significant increase/(decrease) in market unit price in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in a positive adjustment or a significant decrease/(increase) in a negative adjustment on market unit price would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the yield in isolation would result in a significant decrease/(increase) in the fair value of the investment properties.

14. INVESTMENTS IN ASSOCIATES

	2015 HK$'000	2014 HK$'000
Share of net assets	5,117	6,158
Due from associates	31	31
	5,148	6,189

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

In the opinion of the directors, none of the Group's associates principally affected the results for the year or formed a substantial portion of the net assets of the Group.

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

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2015 HK$'000	2014 HK$'000
Share of the associates' profit/(loss) for the year	(166)	61
Share of the associates' other comprehensive income/(loss)	7	(290)
Share of the associates' total comprehensive loss	(159)	(229)
Aggregate carrying amount of the Group's investments in the associates	5,148	6,189

15. AVAILABLE-FOR-SALE INVESTMENTS

	2015 HK$'000	2014 HK$'000
Listed equity investments, at fair value	6,682	9,564

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

There was a significant decline in the market value of the listed equity investments during the year. The directors consider that such a decline indicates that the listed equity investments have been impaired and an impairment loss of HK$1,236,000 (2014: HK$5,742,000) has been recognised in the statement of profit or loss for the year.

16. INTANGIBLE ASSETS

	Note	Patents and acquired software HK$'000	Development expenditure on media software HK$'000	Total HK$'000
31 December 2015				
Cost at 1 January 2015, net of accumulated amortisation		**–**	**7,403**	**7,403**
Acquisition from related companies	32(I)(i)	**12,142**	**–**	**12,142**
Amortisation provided during the year		**(3,984)**	**(3,583)**	**(7,567)**
Impairment during the year		**(1,673)**	**–**	**(1,673)**
Exchange realignment		**(252)**	**(258)**	**(510)**
At 31 December 2015		**6,233**	**3,562**	**9,795**
At 31 December 2015:				
Cost		**11,670**	**10,657**	**22,327**
Accumulated amortisation and impairment		**(5,437)**	**(7,095)**	**(12,532)**
Net carrying amount		**6,233**	**3,562**	**9,795**
31 December 2014				
At 1 January 2014:				
Cost		–	9,011	9,011
Accumulated amortisation		–	(1,379)	(1,379)
Net carrying amount		–	7,632	7,632
Cost at 1 January 2014, net of accumulated amortisation		–	7,632	7,632
Addition		–	2,500	2,500
Amortisation provided during the year		–	(2,538)	(2,538)
Exchange realignment		–	(191)	(191)
At 31 December 2014		–	7,403	7,403
At 31 December 2014:				
Cost		–	11,262	11,262
Accumulated amortisation and impairment		–	(3,859)	(3,859)
Net carrying amount		–	7,403	7,403

16. INTANGIBLE ASSETS *(continued)*

During the years ended 31 December 2015 and 2014, capitalised software costs were related to development expenditure on news publishing and printing software.

During the year, the Group recognised an impairment loss of approximately HK$1,673,000 relating to certain patents and acquired software. The management changed its business plan on developing the relevant intangible assets based on assessment of current market condition, therefore, the carrying amount of these assets was fully impaired based on their value in use using a discounted cash flow model.

17. INVENTORIES

	2015 HK$'000	2014 HK$'000
Trading stocks	77,281	71,196

18. GROSS AMOUNTS DUE FROM/TO CONTRACT CUSTOMERS

	2015 HK$'000	2014 HK$'000
Gross amount due from contract customers	27,142	45,400
Gross amount due to contract customers	(28,638)	(12,304)
	(1,496)	33,096
Contract costs incurred plus recognised profits less recognised losses to date	199,533	101,893
Less: Progress billings	(198,037)	(68,797)
	(1,496)	33,096

Included in the Group's amounts due from/to contract customers are amounts due from/to a subsidiary of Peking Founder, of approximately HK$1,427,000 (2014: HK$63,000) and HK$3,886,000 (2014: HK$3,859,000), respectively.

19. TRADE AND BILLS RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade and bills receivables	**198,033**	292,472
Impairment	**(41,940)**	(34,875)
	156,093	257,597

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Trade and bills receivables are settled in accordance with the terms of the respective contracts. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

An aging 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:

	2015 HK$'000	2014 HK$'000
Within 6 months	**116,469**	213,757
7 to 12 months	**15,909**	35,532
13 to 24 months	**23,715**	8,308
	156,093	257,597

19. TRADE AND BILLS RECEIVABLES *(continued)*

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

	2015 HK$'000	2014 HK$'000
At 1 January	34,875	28,025
Impairment losses recognised (note 6)	10,192	9,905
Impairment losses reversed (note 6)	(1,583)	–
Amount written off as uncollectible	–	(2,494)
Exchange realignment	(1,544)	(561)
At 31 December	41,940	34,875

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of approximately HK$2,846,000 (2014: HK$3,397,000) with a carrying amount before provision of approximately HK$2,846,000 (2014: HK$3,397,000). 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.

An aged analysis of the trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

	2015 HK$'000	2014 HK$'000
Neither past due nor impaired	42,099	60,021
Less than 6 months past due	35,862	98,647
13 to 24 months past due	10,590	–
	88,551	158,668

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 independent 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.

Included in the Group's trade and bills receivables are amounts due from subsidiaries of Peking Founder of HK$14,212,000 (2014: HK$15,855,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	2015 HK$'000	2014 HK$'000
Prepayments		**62,026**	26,166
Deposits and other receivables		**61,589**	80,788
Entrusted loans	32(I)(f)	**200,600**	249,400
Impairment		**(16,448)**	(12,326)
		307,767	344,028

The movements in provision for impairment of other receivables during the year are as follows:

	2015 HK$'000	2014 HK$'000
At 1 January	**12,326**	16,364
Impairment losses recognised (note 6)	**5,357**	533
Amount written off as uncollectible	**(379)**	(4,196)
Exchange realignment	**(856)**	(375)
At 31 December	**16,448**	12,326

Included in the provision for the impairment of other receivables as at 31 December 2015 was a full provision of HK$5,249,000 (2014: Nil) related to debtors that were in financial difficulties and the outstanding receivables are not expected to be recovered.

Apart from the foregoing, the above provision for impairment of other receivables as at 31 December 2015 and 2014 also included the provision made against the remaining balances of the receivables collectively as at that date. The Group does not hold any collateral or other credit enhancements over these balances.

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Note	2015 HK$'000	2014 HK$'000
Cash and bank balances		**455,851**	369,425
Time deposits with original maturity of three months or less when acquired		**25,841**	150,369
		481,692	519,794
Time deposits with original maturity of over three months when acquired		**155,117**	30,442
Less: Pledged time deposits			
Pledged for long term letter of guarantee		**(1,791)**	–
Pledged for trade finance facilities, bank loans and overdraft	25	**(22,145)**	(25,691)
Cash and cash equivalents		**612,873**	524,545

At the end of the reporting period, the cash and cash equivalents of the Group denominated in RMB amounted to approximately HK$495,157,000 (2014: HK$369,538,000). 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 of between seven days and six months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

As at 31 December 2015, included in the Group's cash and cash equivalents were time deposits of approximately HK$1,189,000 (2014: Nil) placed in PKU Founder Group Finance Co., Ltd. ("Founder Finance"), a financial institution approved by The People's Bank of China (the "PBOC"). Founder Finance is a subsidiary of Peking Founder. The interest rates for these deposits were the prevailing saving rates offered by the PBOC.

22. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 HK$'000	2014 HK$'000
Listed equity investments, at market value	**922**	–

The above equity investments at 31 December 2015 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

23. 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:

	2015	2014
	HK$'000	HK$'000
Within 6 months	**44,884**	109,304
7 to 12 months	**6,235**	9,029
13 to 24 months	**4,826**	3,909
Over 24 months	**10,213**	8,262
	66,158	130,504

Included in the Group's trade and bills payables are amounts due to subsidiaries of Peking Founder of approximately HK$1,390,000 (2014: HK$5,735,000), which are repayable on credit terms similar to those offered by the related companies to their major customers.

The trade payables are non-interest-bearing and are normally settled on terms of 15 to 90 days.

24. OTHER PAYABLES AND ACCRUALS

	2015	2014
	HK$'000	HK$'000
Deferred income	**13,579**	24,291
Other payables	**98,766**	98,443
Accruals	**129,969**	142,936
Receipt in advance	**140,323**	95,558
	382,637	361,228

Other payables are non-interest-bearing and have an average term of three months.

25. INTEREST-BEARING BANK BORROWINGS

	2015			2014		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank overdrafts — secured	–	–	–	2.29–2.42	On demand	3,748
Bank loans — unsecured	4.57–5.63	2016	113,685	1.77–6.96	2015	100,933
Bank loans — secured	3.33–3.34	On demand	40,000	3.33–3.34	On demand	40,000
Trust receipt loans — secured	2.02–2.22	2016	6,505	1.62–2.75	2015	49,454
			160,190			194,135

	2015 HK$'000	2014 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	160,190	194,135

Notes:

(a) As at 31 December 2015, the unsecured bank loans of approximately HK$99,230,000 (2014: HK$100,633,000) and HK$14,455,000 (2014: Nil) were guaranteed by Peking Founder and jointly guaranteed by Peking Founder and Founder Finance, respectively. As at 31 December 2014, the unsecured bank loan of HK$300,000 was guaranteed by the Company and the Government of the Hong Kong Special Administrative Region under the SME Loan Guarantee Scheme.

(b) The Group's trade finance facilities, secured bank loans and overdrafts at the end of the reporting period were secured by:

(i) charges over certain of the Group's investment properties which had an aggregate carrying value at the end of the reporting period of approximately HK$89,960,000 (2014: HK$87,030,000);

(ii) charges over certain of the Group's land and buildings which had an aggregate carrying value at the end of the reporting period of approximately HK$75,080,000 (2014: HK$67,950,000); and

(iii) the pledge of certain of the Group's time deposits amounting to approximately HK$22,145,000 (2014: HK$25,691,000).

In addition, the Group's trade finance facilities as at 31 December 2014 were secured by a standby letter of credit ("SBLC") issued by Peking Founder of approximately HK$37,410,000.

(c) The Group's bank borrowings with carrying amounts of HK$40,000,000 (2014: HK$52,440,000), HK$6,505,000 (2014: HK$41,062,000) and HK$113,685,000 (2014: HK$100,633,000) were denominated in Hong Kong dollars, United States dollars and RMB, respectively.

(d) The carrying amounts of the Group's borrowings approximate to their fair values.

26. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

	Fair value adjustment on available-for-sale investment HK$'000	Revaluation of properties HK$'000	Temporary difference on depreciation of properties HK$'000	Accelerated amortisation of intangible assets HK$'000	Accrued expense HK$'000	Losses available for offsetting future taxable profits HK$'000	Total HK$'000
At 1 January 2014	(1,083)	(31,457)	–	–	–	–	(32,540)
Deferred tax credited to the statement of profit or loss for the year (note 10)	1,089	–	–	–	–	–	1,089
Deferred tax credited to other comprehensive income during the year	–	577	–	–	–	–	577
Exchange realignment	(6)	787	–	–	–	–	781
At 31 December 2014 and 1 January 2015	–	(30,093)	–	–	–	–	(30,093)
Deferred tax credited/(charged) to the statement of profit or loss for the year (note 10)	**–**	**(107)**	**(929)**	**1,188**	**234**	**2,968**	**3,354**
Deferred tax charged to other comprehensive income during the year	**–**	**(7,984)**	**–**	**–**	**–**	**–**	**(7,984)**
Exchange realignment	**–**	**1,620**	**(79)**	**(46)**	**(9)**	**–**	**1,486**
At 31 December 2015	**–**	**(36,564)**	**(1,008)**	**1,142**	**225**	**2,968**	**(33,237)**

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December	
	2015 HK$'000	2014 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**1,367**	–
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(34,604)**	(30,093)
	(33,237)	(30,093)

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

	2015 HK$'000	2014 HK$'000
Tax losses	**287,310**	314,293
Deductible temporary difference	**74,239**	62,962
	361,549	377,255

26. DEFERRED TAX *(continued)*

The Group has tax losses arising in Hong Kong of approximately HK$287,310,000 (2014: HK$287,627,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. As at 31 December 2014, the Group also has tax losses arising in Mainland China of HK$26,666,000 that will expire in one to five years for offsetting against future taxable profits. 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.

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 to withholding taxes on dividends distributed by those subsidiaries and associates established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2015, 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$259,433,000 at 31 December 2015 (2014: HK$247,957,000).

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

27. SHARE CAPITAL

Shares

	2015 **HK$'000**	2014 HK$'000
Authorised:		
2,100,000,000 (2014: 2,100,000,000) ordinary shares of HK$0.10 each	**210,000**	210,000
Issued and fully paid:		
1,199,746,993 (2014: 1,199,746,993) ordinary shares of HK$0.10 each	**119,975**	119,975

A summary of movements in the Company's issued share capital is as follows:

	Number of shares in issue	**Issued capital** HK$'000
At 1 January 2014	1,159,851,853	115,985
Share options exercised	39,895,140	3,990
At 31 December 2014, 1 January 2015 and 31 December 2015	1,199,746,993	119,975

Note: During the year ended 31 December 2014, the movement in share capital was due to the subscription rights attaching to 39,895,140 share options being exercised at the subscription price of HK$0.296 per share (note 28), resulting in the issue of 39,895,140 shares of HK$0.10 each for a total cash consideration, before expenses, of approximately HK$11,809,000. An amount of HK$5,000,000 was transferred from the employee share-based compensation reserve to the share premium account upon the exercise of the share options.

28. SHARE OPTION SCHEME

On 24 May 2002, the Company adopted a share option scheme (the "Scheme") in compliance with Chapter 17 of the Listing Rules.

The purpose of the Scheme is to recognise and acknowledge the contributions or potential contributions made or to be made by the participants to the Group, to motivate the participants to optimise their performance and efficiency for the benefit of the Group, and to maintain or attract business relationships with participants whose contributions are or may be beneficial to the growth of the Group. Eligible participants of the 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; and (iv) any supplier, agent, customer, partner or business associate of, or adviser or consultant to any member of the Group. The Scheme became effective on 24 May 2002 and has expired on 23 May 2012, after 10 years from the effective date, and no further option has been granted since the expiry date. However, the options granted under the Scheme continue to be valid and exercisable in accordance with the terms of issues and, in all other respects, its provisions shall remain in full force and effect.

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

The offer of a grant of share options is deemed to have been accepted when the duplicate offer letter comprising the acceptance of the option 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 on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the shares of the Company.

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

28. SHARE OPTION SCHEME *(continued)*

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

	2015 Weighted average exercise price HK$ per share	2015 Number of options '000	2014 Weighted average exercise price HK$ per share	2014 Number of options '000
At 1 January	–	–	0.296	44,328
Exercised during the year	–	–	0.296	(39,895)
Expired during the year	–	–	0.296	(4,433)
At 31 December	–	–	–	–

On 17 November 2011, a total of 73,879,900 share options were granted to certain directors and employees of the Group in respect of their services to the Group (the "2011 Options"). The 2011 Options have an exercise price of HK$0.296 per share. The closing price of the Company's shares at the date of grant was HK$0.295 per share.

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2014 was HK$0.59 per share.

As at 31 December 2015 and 31 December 2014, the Group had no share options outstanding under the Scheme.

29. RESERVES

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 pages 30 and 31 of the financial statements.

The Group's contributed surplus represents the excess of the nominal value of the shares and the share premium account of Founder HK acquired pursuant to the Group reorganisation on 31 March 2000 over the nominal value of the Company's shares issued in exchange therefor.

In accordance with the relevant PRC regulations, each of the Group's PRC subsidiaries 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 each PRC subsidiary in accordance with its articles of association. During the year, certain of the Group's PRC subsidiaries transferred HK$1,834,000(2014: HK$122,000), which represented 10% of their profit after tax as determined in accordance with the PRC accounting standards, to the general reserve.

30. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities.

31. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 13 to the financial statements) under operating lease arrangements, with leases negotiated for terms of one to three years. The terms of the leases generally also require the tenants to pay security deposits.

At 31 December 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2015 HK$'000	2014 HK$'000
Within one year	2,683	2,067
In the second to fifth years, inclusive	140	585
	2,823	2,652

The Group leases certain of its machinery and equipment under operating lease arrangements, with leases negotiated for terms of three to five years.

At 31 December 2015, the Group had total future minimum lease receivables under non-cancellable operating leases as follows:

	2015 HK$'000	2014 HK$'000
Within one year	708	748
In the second to fifth years, inclusive	1,044	1,852
	1,752	2,600

31. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee

The Group leases certain of its offices and warehouse properties under operating lease arrangements, which are negotiated for terms ranging from six months to three years.

At 31 December 2015, the Group had total future minimum lease payments under the non-cancellable operating leases falling due as follows:

	Group	
	2015 HK$'000	2014 HK$'000
Within one year	**15,951**	15,851
In the second to fifth years, inclusive	**14,582**	3,254
	30,533	19,105

32. RELATED PARTY TRANSACTIONS

(I) Transactions with related parties

(a) 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:

	Notes	**2015 HK$'000**	2014 HK$'000
Management fee income received from Peking University Resources (Holdings) Company Limited ("PKU Resources"), a subsidiary of Peking Founder, and its subsidiary	(i)	**1,781**	1,738
Handling fee income received from a subsidiary of Peking Founder	(i)	**120**	240
Service fee paid to PKU Founder Information	(ii)	**1,864**	2,204
Banking facilities guarantees given by Peking Founder	(iii)	**331,127**	203,810
Banking facilities guarantees jointly given by Peking Founder and Founder Finance	(iv)	**59,000**	–
SBLC issued by Peking Founder to guarantee the Group's trade financing facilities	(v)	**–**	37,410
Sales of HP products to subsidiaries of PKU Resources	(vi)	**–**	821

32. RELATED PARTY TRANSACTIONS *(continued)*

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

(a) *(continued)*

Notes:

(i) These transactions were conducted on the basis of rates agreed between the Group and the related companies.

(ii) The sharing of administrative services fee between the Group and PKU Founder Information was conducted on a cost basis.

(iii) The banking facilities guarantees of HK$165,927,000 (2014: HK$203,810,000) were given to PRC banks for credit facilities granted to subsidiaries of the Company and utilised to the extent of approximately HK$64,976,000 at 31 December 2015 (2014: HK$120,348,000). The banking facilities guarantees of HK$165,200,000 (2014: Nil) were given to a PRC bank for credit facilities granted to a subsidiary of the Company, Peking Founder and PKU Founder Information and utilised to the extent of approximately HK$111,508,000 (2014: Nil).

(iv) The banking facilities guarantees were given to a PRC bank for credit facilities granted to a subsidiary of the Company and utilised to the extent of approximately HK$14,455,000 at 31 December 2015.

(v) The SBLC was given to a bank in Hong Kong for trade financing facilities granted to a subsidiary of the Company. The trade financing facilities were utilised to the extent of approximately HK$7,500,000 as at 31 December 2014.

(vi) These sales were made based on direct costs incurred, plus certain margins.

(b) On 1 November 2011, Founder Electronics and Founder EasiPrint entered into lease agreements and management agreements with a subsidiary of Peking Founder to lease certain premises in Beijing, the PRC, for a term of three years from 1 January 2012 to 31 December 2014, for the aggregate of annual rental and management fees of RMB6,900,000 and RMB4,845,000 (equivalent to approximately HK$8,713,000 and HK$6,118,000).

On 1 March 2013, Founder EasiPrint entered into a supplemental agreement with the subsidiary of Peking Founder to revise the annual rental and management fee for the period from 1 March 2013 to 31 December 2014. The aggregate amounts of annual rental and management fee for Founder Electronics and Founder EasiPrint were revised to RMB6,463,000 and RMB4,593,000 (equivalent to approximately HK$8,161,000 and HK$5,800,000).

On 13 February 2015, Founder Electronics, Founder EasiPrint and Founder Digital Printing entered into lease agreements and management agreements with the subsidiary of Peking Founder to lease the premises in Beijing from 15 February 2015 to 31 December 2015, for the aggregate of annual rental and management fees of RMB7,855,000 and RMB4,737,000 (equivalent to approximately HK$9,644,000 and HK$5,816,000). Further details of the transaction were set out in the announcement of the Company dated 13 February 2015.

During the year, rental and management fees of approximately HK$15,460,000 (2014: HK$13,920,000) were paid by Founder Electronics, Founder EasiPrint and Founder Digital Printing to the subsidiary of Peking Founder. The directors consider that the rental and management fees were paid in accordance with the terms of the lease agreement.

On 31 December 2015, Founder Electronics, Founder EasiPrint and Founder Digital Printing renewed the lease agreements and management agreements with the subsidiary of Peking Founder to lease the premises in Beijing from 1 January 2016 to 31 December 2017, for the aggregate of annual rental and management fees of RMB7,900,000 and RMB4,135,000 (equivalent to approximately HK$9,699,000 and HK$5,077,000) for the year 2016 and RMB8,931,000 and RMB4,135,000 (equivalent to approximately HK$10,964,000 and HK$5,077,000) for the year 2017. Further details of the transaction were set out in the announcement of the Company dated 31 December 2015.

32. RELATED PARTY TRANSACTIONS *(continued)*

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

(c) On 9 December 2013, the Company renewed a master agreement with PKU Resources, pursuant to which the Group would purchase information products from PKU Resources and its subsidiaries (collectively "PKU Resources Group"), for the three years ending 31 December 2016.

During the year, information products in the amount of approximately HK$108,000 (2014: HK$98,000) were purchased from PKU Resources Group. The directors consider that the purchases of information products were made in accordance with the master agreement.

(d) On 1 November 2011, the Company entered into a master agreement with Peking Founder for the purchase of information products and research and development services from Peking Founder and its subsidiaries (collectively "Peking Founder Group") for a term of three years from 1 January 2012 to 31 December 2014.

On 30 December 2014, the Company and Peking Founder entered into a Master Purchase Agreement to extend the term for the period from 1 January 2015 to 31 December 2017. Further details of the transaction were set out in the announcement of the Company dated 30 December 2014.

During the year, products and services of approximately HK$3,678,000 (2014: HK$6,693,000) were purchased from Peking Founder Group. The directors consider that the purchases of products and services were made in accordance with the master agreements.

(e) On 14 December 2012, the Company entered into a master agreement with Peking Founder for the sales of information products, hardware and software development services and system integration services to Peking Founder Group for a term of three years from 1 January 2013 to 31 December 2015.

During the year, sales of information products, hardware and software development services and system integration services of approximately HK$13,194,000 (2014: HK$36,429,000) were made to Peking Founder Group. The directors consider that the sales of information products and system integration services and commission fee were made in accordance with the master agreement.

32. RELATED PARTY TRANSACTIONS *(continued)*

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

(f) On 1 November 2011, the Company renewed an entrusted loan master agreement entered with Peking Founder on 15 July 2009, pursuant to which the Group would provide short term loans through a financial institution to Peking Founder Group for the three years ended 31 December 2014. Such loans will be unsecured and interest-bearing at the prevailing benchmark Renminbi lending rate for loan period of six months offered by the PBOC plus 15%.

On 28 July 2014, the Company renewed an entrusted loan master agreement entered with Peking Founder, 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 2016. Such loans will be unsecured and interest-bearing at the prevailing benchmark Renminbi lending rate for loan period of six months offered by the PBOC plus 15%. Further details of the transaction were set out in the announcement of the Company dated 28 July 2014.

For the year ended 31 December 2014, entrusted loans in the amount of RMB400,000,000 (equivalent to approximately HK$498,800,000) were provided to Peking Founder. The entrusted loans were unsecured, bore interest at a rate of 6.44% per annum, and were settled by 27 August 2014 as to the amount of RMB140,000,000 (equivalent to approximately HK$174,580,000) and 19 December 2014 as to the amount of RMB60,000,000 (equivalent to approximately HK$74,820,000). The entrusted loans of RMB200,000,000 (equivalent to approximately HK$249,400,000) and the related interest receivable of RMB3,227,000 (equivalent to approximately HK$4,024,000) remained undue and were included in prepayments, deposits and other receivables as at 31 December 2014. Subsequent to the end of the reporting period, the entrusted loans of RMB140,000,000 (equivalent to approximately HK$174,580,000) and interest receivables of RMB3,131,000 (equivalent to approximately HK$3,904,000) were settled by Peking Founder.

For the year ended 31 December 2015, entrusted loans in the amounts of RMB370,000,000 (equivalent to approximately HK$436,600,000) and RMB40,000,000 (equivalent to approximately HK$47,200,000) were provided to Peking Founder and PKU Founder Information, respectively. The entrusted loans are unsecured and bear interest at rates ranging from 5.66% to 6.96% per annum. The entrusted loans were settled by 30 September 2015 as to the amount of RMB130,000,000 (equivalent to approximately HK$153,400,000), 24 December 2015 as to the amount of RMB50,000,000 (equivalent to approximately HK$59,500,000) and 25 December 2015 as to the amount of RMB60,000,000 (equivalent to approximately HK$70,800,000). The entrusted loans of RMB170,000,000 (equivalent to approximately HK$200,600,000) and the related interest receivable of RMB3,247,000 (equivalent to approximately HK$3,831,000) remained undue and were included in prepayments, deposits and other receivables as at 31 December 2015.

During the year, interest income earned by the Group from Peking Founder and PKU Founder Information amounted to HK$16,551,000 (2014: HK$15,607,000). The directors consider that the provision of entrusted loans to and the receipt of interest income from Peking Founder and PKU Founder Information were made in accordance with the entrusted loan master agreement.

32. RELATED PARTY TRANSACTIONS *(continued)*

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

(g) On 4 March 2015, the Company, Founder Finance and Peking Founder entered into a financial service agreement, pursuant to which Founder Finance would provide the Group with deposit service. As at 31 December 2015, the Group made a deposits for approximately HK$1,189,000. The interest rates on the deposits offered by Founder Finance were the prevailing interest rates offered by the PBOC.

(h) On 7 December 2012, the Company entered into a Master Sales Agreement with PKU Resources, pursuant to which the Group would provide PKU Resources Group with the information products developed by the Group, the systems integration products and the related services on a non-exclusive basis, from the date of the agreement till 31 December 2014.

During the year ended 31 December 2014, the Group did not provide any information products, systems integration products or related services to PKU Resources Group.

(i) On 31 October 2014, Founder Electronics entered into the Technology Transfer Agreement I and the Fixed Assets Transfer Agreement I with Founder Digital Publishing Technology (Shanghai) Co., Ltd.*（上海方正數字出版技術有限公司）("Shanghai Founder"), a non-wholly-owned subsidiary of Peking Founder, pursuant to which Founder Electronics will acquire and Shanghai Founder will sell certain patents and fixed assets at considerations of approximately RMB7.89 million (equivalent to approximately HK$9.97 million) and approximately RMB0.18 million (equivalent to approximately HK$0.23 million), respectively.

On the same date, Founder Electronics entered into the Technology Transfer Agreement II with Founder Mobile Media Technology (Beijing) Co., Ltd.*（方正移動傳媒技術(北京)有限公司）("Founder Mobile"), a non-wholly-owned subsidiary of Peking Founder, pursuant to which Founder Electronics will acquire and Founder Mobile will sell certain patents at a consideration of RMB2 million (equivalent to approximately HK$2.53 million).

The considerations of RMB2 million and RMB 8.1 million was paid to Founder Mobile and Shanghai Founder in July 2014 and January 2015, respectively. The above transactions with Shanghai Founder and Founder Mobile were completed in January and February 2015, respectively.

* *For identification purpose only*

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

32. RELATED PARTY TRANSACTIONS *(continued)*

(II) Outstanding balances with related parties

(a) As at 31 December 2015, other than the entrusted loans and related interest receivables from Peking Founder Group as disclosed in note 32(I)(f) to the financial statements, balances due from Peking Founder Group included in prepayments, deposits and other receivables were approximately HK$6,359,000 (2014: HK$9,497,000) and balances due to Peking Founder Group included in other payables and accruals were approximately HK$46,084,000 (2014: HK$55,448,000). These balances are unsecured, interest-free and have no fixed terms of repayment.

(b) Details of the Group's amounts due from its associates as at the end of the reporting period are included in note 14 to the financial statements.

(c) Details of the Group's trade balances with its related companies as at the end of the reporting period are disclosed in notes 19 and 23 to the financial statements.

(III) Compensation of key management personnel of the Group

	2015 HK$'000	2014 HK$'000
Short term employee benefits	2,324	4,640
Pension scheme contributions	54	56
Total compensation paid to key management personnel	2,378	4,696

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

Notes to Financial Statements

31 December 2015

33. 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:

2015

Financial assets

	Fair value through profit or loss — held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Due from associates	–	31	–	31
Available-for-sale investments	–	–	6,682	6,682
Trade and bills receivables	–	156,093	–	156,093
Financial assets included in prepayments, deposits and other receivables	–	245,741	–	245,741
Equity investments at fair value through profit or loss	922	–	–	922
Pledged deposits	–	23,936	–	23,936
Cash and cash equivalents	–	612,873	–	612,873
	922	1,038,674	6,682	1,046,278

Financial liabilities — financial liabilities at amortised cost

	HK$'000
Trade and bills payables	66,158
Financial liabilities included in other payables and accruals	98,766
Interest-bearing bank borrowings	160,190
	325,114

33. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

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

2014

Financial assets

	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Due from associates	31	–	31
Available-for-sale investments	–	9,564	9,564
Trade and bills receivables	257,597	–	257,597
Financial assets included in prepayments, deposits and other receivables	317,862	–	317,862
Pledged deposits	25,691	–	25,691
Cash and cash equivalents	524,545	–	524,545
	1,125,726	9,564	1,135,290

Financial liabilities — financial liabilities at amortised cost

	HK$'000
Trade and bills payables	130,504
Financial liabilities included in other payables and accruals	98,443
Interest-bearing bank borrowings	194,135
	423,082

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair value, are as follows:

	Carrying amounts		Fair values	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Pledged deposit, non-current portion	**1,791**	–	**1,791**	–
Equity investments at fair value through profit or loss	**922**	–	**922**	–
Available-for-sale investments	**6,682**	9,564	**6,682**	9,564
	9,395	9,564	**9,395**	9,564
Financial liabilities				
Interest-bearing bank borrowings	**160,190**	194,135	**160,190**	194,135

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals and amounts due from associates, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair value of non-current portion of pledged deposit and interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for non-current portion of pledged deposit and interest-bearing bank borrowings as at 31 December 2015 were assessed to be insignificant.

The fair values of listed equity investments at fair value through profit or loss and listed available-for-sale investments are based on quoted market prices.

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Available-for-sale investments:				
Equity investments	6,682	–	–	6,682
Equity investments at fair value through profit or loss	922	–	–	922
	7,604	–	–	7,604

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Available-for-sale investments:				
Equity investments	9,564	–	–	9,564

The Group did not have any financial liabilities measured at fair value as at 31 December 2015 and 31 December 2014.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2014: Nil).

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy *(continued)*

Assets for which fair values are disclosed:

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Pledged deposit, non-current portion	–	1,791	–	1,791

Liabilities for which fair values are disclosed:

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Interest-bearing bank borrowings	–	160,190	–	160,190

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Interest-bearing bank borrowings	–	194,135	–	194,135

The Group did not have any financial assets disclosed at fair value as at 31 December 2014.

35. 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, interest rate risk, liquidity risk and equity price 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, pledged deposits, other receivables and amounts due from associates, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

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 19 to the financial statements.

The Group places its bank balances and pledged deposits with major international banks in Hong Kong, state-owned banks in Mainland China and Founder Finance, a financial institutions approved by the PBOC. This investment policy limits the Group's exposure to concentrations of credit risk.

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

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings with floating interest rates.

At 31 December 2015, approximately HK$63,554,000 (2014: HK$118,442,000) of the Group's interest-bearing borrowings bore interest at floating rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** HK$'000
2015		
Hong Kong dollar	**100**	**(400)**
United States dollar	**100**	**(65)**
RMB	**100**	**(170)**
Hong Kong dollar	**(100)**	**400**
United States dollar	**(100)**	**65**
RMB	**(100)**	**170**
2014		
Hong Kong dollar	100	(524)
United States dollar	100	(411)
RMB	100	(1,006)
Hong Kong dollar	(100)	524
United States dollar	(100)	411
RMB	(100)	1,006

35. 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 overdrafts and bank loans. In addition, banking facilities have been put in place for contingency purposes.

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:

	2015 Within 1 year or on demand HK$'000
Trade and bills payables	**66,158**
Financial liabilities included in other payables and accruals	**98,766**
Interest-bearing bank borrowings	**166,721**
	331,645

	2014 Within 1 year or on demand HK$'000
Trade and bills payables	130,504
Financial liabilities included in other payables and accruals	98,443
Interest-bearing bank borrowings	195,254
	424,201

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

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as equity investments at fair value through profit or loss (note 22) and available-for-sale investments (note 15) as at 31 December 2015 and 31 December 2014. The Group's listed investments are listed on ACE Market of Bursa Malaysia Securities Berhad, New York Stock Exchange and Taiwan Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The following table demonstrates the sensitivity to every 1% change in the fair values of the Group's principal equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the available-for-sale equity investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact the statement of profit or loss.

	Carrying amount of equity investments	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity**
	HK$'000	HK$'000	HK$'000
2015			
Investments listed in:			
US — Held-for-trading	**171**	**2**	**–**
Taiwan — Held-for-trading	**229**	**2**	**–**
Malaysia — Held-for-trading	**522**	**5**	**–**
Malaysia — Available-for-sale investments	**6,682**	**–**	**67**
2014			
Investments listed in:			
Malaysia — Available-for-sale investments	9,564	–	96

35. 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 and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 31 December 2014.

The Group monitors capital using a debt to equity ratio, which is interest-bearing bank borrowings divided by total equity attributable to owners of the parent. The debt to equity ratios as at the end of the reporting periods were as follows:

	2015 **HK$'000**	2014 HK$'000
Interest-bearing bank borrowings	**160,190**	194,135
Total equity attributable to owners of the parent	**980,967**	961,144
Debt to equity ratio	**16%**	20%

Notes to Financial Statements

31 December 2015

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	559,088	559,088
CURRENT ASSETS		
Prepayments and other receivables	2,070	1,664
Cash and cash equivalents	581	1,576
Total current assets	2,651	3,240
CURRENT LIABILITIES		
Other payables and accruals	2,594	2,717
NET CURRENT ASSETS	57	523
TOTAL ASSETS LESS CURRENT LIABILITIES	559,145	559,611
NON-CURRENT LIABILITY		
Due to a subsidiary	192,755	191,608
Net assets	366,390	368,003
EQUITY		
Issued capital	119,975	119,975
Reserves	246,415	248,028
Total equity	366,390	368,003

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Contributed surplus HK$'000	Employee share-based compensation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2014	40,778	448,209	5,479	(251,302)	243,164
Total comprehensive loss for the year	–	–	–	(2,955)	(2,955)
Issue of shares	12,819	–	(5,000)	–	7,819
Equity-settled share option arrangements	–	–	(479)	479	–
At 31 December 2014	**53,597**	**448,209**	**–**	**(253,778)**	**248,028**
Total comprehensive loss for the year	**–**	**–**	**–**	**(1,613)**	**(1,613)**
At 31 December 2015	**53,597**	**448,209**	**–**	**(255,391)**	**246,415**

The Company's contributed surplus represents the excess of the fair value of the shares of Founder HK acquired pursuant to the Group reorganisation on 31 March 2000 over the nominal value of the Company's shares issued in exchange therefor. Under the Bermuda Companies Act 1981 (as amended), the Company may make distributions to its shareholders out of the contributed surplus in certain circumstances.

The employee share-based compensation reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2016.

Particulars of Investment Properties

31 December 2015

Location	Use	Tenure	Percentage of interest attributable to the Group
Units 1, 2a, 2b, 3a, 3b, 4a, 4b, 5, 7a and 7b on 14th Floor Cable TV Tower 9 Hoi Shing Road Tsuen Wan New Territories Hong Kong	Office premises/ warehouse for rental	Medium term lease	100
Office car parking space P38 on 3rd Floor Cable TV Tower 9 Hoi Shing Road Tsuen Wan New Territories Hong Kong	Car parking space for rental	Medium term lease	100
Residential car parking space No. 324 on Podium Level 2 Rhine Garden 38 Castle Peak Road Sham Tseng New Territories Hong Kong	Car parking space for rental	Medium term lease	100
Flat B, 29th Floor, Block 3 Locwood Court Kingswood Villas 1 Tin Wu Road Tin Shui Wai Yuen Long New Territories Hong Kong	Residential premises for rental	Medium term lease	100

Particulars of Investment Properties

31 December 2015

Location	Use	Tenure	Percentage of interest attributable to the Group
Flat B, 8th Floor, Block 2 and car parking space No. 60 on Level 1 Dragon Inn Court 9 Tsing Ha Lane Tuen Mun New Territories Hong Kong	Residential premises and car parking space for rental	Medium term lease	100
Flat D, 12th Floor, Block 2 Belvedere Garden Phase 2 620 Castle Peak Road Tsuen Wan New Territories Hong Kong	Residential premises for rental	Medium term lease	100
Units 1-7-1, 8-7-1 No.126 Yuzhou Road Jiulongpo District Chongqing China	Office premises for rental	Medium term lease	100

Five Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests 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				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**963,628**	1,079,869	1,291,015	2,130,753	1,647,234
PROFIT FOR THE YEAR	**7,262**	6,386	86,487	44,411	49,934
Attributable to:					
Owners of the parent	**7,382**	6,381	86,241	44,523	49,913
Non-controlling interests	**(120)**	5	246	(112)	21
	7,262	6,386	86,487	44,411	49,934

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**1,658,491**	1,692,087	1,609,332	1,505,836	1,341,682
TOTAL LIABILITIES	**(677,279)**	(730,562)	(659,061)	(731,613)	(677,134)
NON-CONTROLLING INTERESTS	**(245)**	(381)	(385)	(132)	(909)
	980,967	961,144	949,886	774,091	663,639