RCG Holdings Limited

宏霸數碼集團(控股)有限公司*

(Incorporated in Bermuda with limited liability)

HKSE : 802 AIM : RCG

annual 08 report

* For identification only

Established in 1999, RCG is an international provider of biometric and RFID products and solutions services. The Group focuses on developing, sourcing and selling products and solutions services in the Asia Pacific region. The Group's products and solutions services include biometric access control devices, biometric consumer products, RFID-enabled asset management system, RFID ticket anti-counterfeit and management system solutions, RFID hospital management system solutions, intelligent surveillance systems using facial recognition technology and M2M applications. The Group's international network comprises some 1,500 distributors and dealers in 22 countries and territories in Greater China, Southeast Asia and the Middle East.

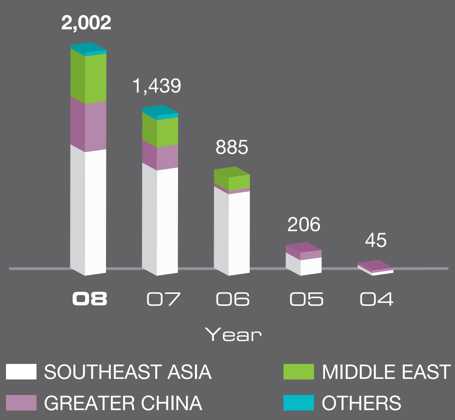
The Company is publicly quoted and its Shares are listed on the Main Board of HKSE and are admitted to trading on AIM of LSE and PLUS.

Contents

Financial Highlights

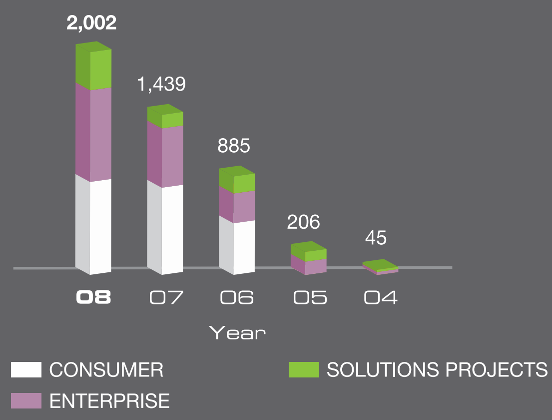
Sales by Geographical Market

(Hong Kong dollars in million)



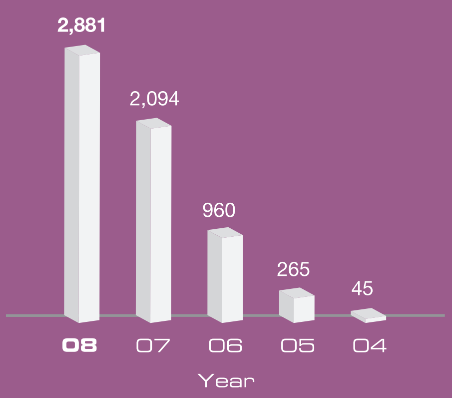
Sales by Business Segments

(Hong Kong dollars in million)



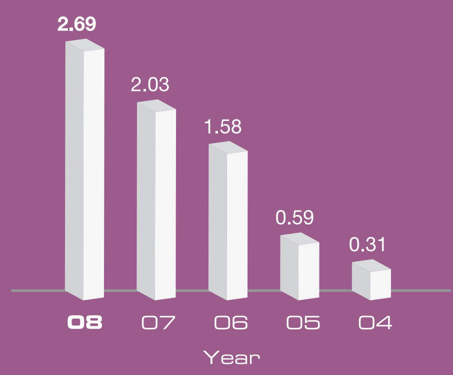
Total Equity

(Hong Kong dollars in thousand)



Earnings Per Share

(Hong Kong dollars)



Five Year Financial Summary

Summary of the results, assets and liabilities of the Group for the last five years is as follows:

	For the year ended 31 December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Turnover	**2,002,353**	1,438,781	884,750	206,127	45,017
Profit for the year	**611,102**	452,666	278,072	63,059	31,516
Attributable to:					
Equity holders of the Company	**622,268**	452,528	273,975	63,059	31,516
Minority interests	**(11,166)**	138	4,097	—	—
	611,102	452,666	278,072	63,059	31,516
Basic earnings per share (note)	**HK$2.69**	HK$2.03	HK$1.58	HK$0.59	HK$0.33
Dividends per share	**HK$0.165 or £0.015**	HK$0.078 or £0.005	HK$0.091 or £0.006	HK$0.069 or £0.005	HK$0.009

	As at 31 December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**3,176,880**	2,165,258	1,055,230	277,609	56,324
Total liabilities	**(295,779)**	(71,098)	(95,150)	(12,190)	(11,656)
	2,881,101	2,094,160	960,080	265,419	44,668
Equity attributable to equity holders of the Company	**2,681,331**	2,062,542	958,688	265,419	44,668
Minority interests	**199,770**	31,618	1,392	—	—
	2,881,101	2,094,160	960,080	265,419	44,668

Note: The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company and on the weighted average number of shares in issue during the relevant years.

Cautionary Statement Regarding Forward-Looking Statements

This *Annual Report 2008* contains forward-looking statements that state the Company's beliefs, expectations, intentions or predications for the future. The forward-looking statements reflect the current view of the Board with respect to future events and are, by their nature, subject to risks, uncertainties and assumptions, including the risk factors as disclosed in this report.

In some cases, words such as "believe", "will", "would", "could", "may", "should", "expect", "intend", "consider", "anticipate", "estimate", "project", "plan", "potential" or similar expressions are used to identify forward-looking statements. The Board can give no assurances that those expectations and intentions will prove to have been correct, and you are cautioned not to place undue reliance on such statements. All forward-looking events or circumstances contained in this report might not occur in the manner the Board expects. Accordingly, you should not place undue reliance on such forward-looking statements. All forward looking statements contained in this report are qualified by reference to these cautionary statements.

Corporate Milestones

2009	• Listing on the Main Board of HKSE
2008	• Further acquisitions of equity interest in Vast Base, increasing the equity interest to 80% • Further acquisitions of equity interest in Chance Best, increasing the equity interest to 100%
2007	• Gained exposure to PRC's project segment in event-ticketing and healthcare solutions through acquisitions of interests in Vast Base and Chance Best • Trading on PLUS
2006	• Opened the first office in the Middle East • Further enlarged sales networks in the Southeast Asia as well as technical maintenance and services capacity through acquisition of UCH Technology & E-CTAsia Technology • Opened the second office in PRC
2005	• Gained access to sales networks in hyperstores in Southeast Asia through acquisition of Skycomp Technology
2004	• Shares admitted to trading on AIM of LSE • Opened the first office in Malaysia
2001	• Diversified into security related biometric and RFID products and solutions • Opened the first office in PRC
1999	• The Group's founders established RCG Corporation HK with a focus on internet and software-related business

Chairman's Statement

Dr. Raymond Chu
Chairman and Chief Executive Officer

I am pleased to report the results for the year ended 31 December 2008, which again demonstrate the Group's continuous and robust growth. The Group performed strongly with revenue increasing to HK$2,002.4 million, representing a 39.2% increase over the year ended 31 December 2007. Profit before taxation for the year ended 31 December 2008 was HK$613.4 million, a 34.5% increase compared to 2007.

In the 2008 financial year, RCG successfully generated significant revenue in **PRC**, both in absolute numbers and in terms of percentage of total revenue, supported by a backdrop of the region's economic growth. Amid the global economic crisis, the PRC government announced a RMB4 trillion stimulus plan aimed at encouraging consumption through government expenditure and investment into amongst others, the infrastructure and healthcare sectors. Having entered PRC market two years ago, we continue to be excited by the opportunities developing in this region.

Revenue for the **solutions projects segment** recorded tremendous growth from HK$121.9 million in 2007 to HK$342.7 million in 2008. The Group focused its solutions project business on the areas of healthcare, event ticketing, transportation and logistics, areas which are poised to benefit from the government's continued support.

We continued our mission of being an innovative company devoted to bringing biometrics and RFID to everyday life. During the year, the Group successfully launched new and innovative products into the consumer and enterprise segments. In addition to the **K8, i8, i9, S904, M30** and **VxSkynet** which were launched in the first half of 2008, the Group also launched **i2**, a fingerprint-based access control system encompassing a high performance processor and wireless capability, **FxCam**, a residential security monitoring device, and **G10**, a fingerprint biometric drawer lock.

Our solutions projects segment won several notable contracts during the year, including the provision of access control solutions for well-known clients including the Abu Dhabi Education Council, the Ministry of Foreign Trade of the UAE in Abu Dhabi, Ajman Bank in the UAE, Kuala Lumpur Star Rail in Malaysia, Sony Malaysia, the Parliament of Malaysia, ICBC Bank in Beijing, the extension of the previously won Tianjin Port project in using ultra high speed RFID to achieve a no-stopover vehicle monitoring system, the provision of passenger information systems and real-time surveillance security for moving trains serving Wuhan City, the 7th largest city in the PRC with a population of over 8 million, the provision of ticket anti-counterfeit solutions for LA Galaxy Football Club featuring the David Beckham tour in Shanghai and renowned Asian pop-star Aaron Kwok's concerts in Shanghai and Guangdong.

The Group made significant business development progress with the acquisition of a 100% equity interest in **Chance Best** and an 80% equity interest in **Vast Base**, which are involved in the provision of ticketing management systems. Vast Base is also involved in the provision of healthcare management systems. The acquisitions have provided avenues for the Group to accelerate its penetration into the solutions projects market in the PRC. These are also in-line with our acquisition strategy allowing the Group to expand into complimentary businesses and solutions thereby providing revenue and profit opportunities for the Group.

We are proud to have received industry awards which acknowledged the strength and innovation of our business. We have been recognised by Forbes Asia as one of "**Asia's 200 Best Under A Billion — The Region's Top 200 Small and Midsize Companies**" and were further selected as the only company within the 200 to receive a special award for the "**Fastest Growing Company**" in the same category. We have received numerous awards in China in recognition of our developing RFID business and were recently recognised by Motorola as a rapid growth company in the area. As our business grows, we wanted to contribute back to society and as our corporate social responsibility programmes further develop, we have been awarded **Caring Company Logo** and **China Red Cross Humanitarian Service Award 2008**.

The Shares of the Company were successfully listed and commenced trading on the Main Board of HKSE on **10 February 2009**. The purpose of listing on the HKSE is to provide easier access to new Hong Kong and Asian-based investors, thus improving the liquidity of the Company's shares. As of today, the Company's shares are listed or admitted to trading on the Main Board of HKSE, AIM of the LSE and PLUS.

In connection to the listing in Hong Kong, the Group is required to comply with more stringent corporate governance standards. In July 2008, the Group appointed **Mr. Jonathan Michael Caplan QC** as a non-executive Director of the Company. The Group believes that Mr. Caplan's legal expertise is an invaluable addition to the Group. In January 2009, the Group appointed **Mr. Sonny Li** as an independent non-executive Director of the Company. Mr. Li has vast experience in finance and corporate management in Hong Kong. The Group also re-designated its non-executive Directors as independent non-executive Directors for the purpose of compliance with Hong Kong Listing Rules and heightened corporate governance practices.

Moving forward, we remain cautious of the impacts brought by the on-going global financial crisis. We continue to monitor cost controls in preparation for the uncertain global economic conditions ahead. During 2008, we continued to build our new facility, the **RCG Tower**, in Kuala Lumpur and in order to achieve substantial long term cost savings, we expect to move the Group headquarters to Malaysia in late second quarter of 2009. The new facility is expected to commence production in late second quarter of 2009 and will host production, R&D, after sales, back office and administrative functions for the Group.

Looking into 2009, we remain confident of the Group's potential in PRC and in solutions projects. Continuing our success in the implementation of RFID solutions in the **healthcare, event ticketing, logistics and theme park sectors**, we aim to expand to other contributive industries including **infrastructure, telecommunication and banking**. The Chinese economy is predicted to grow at 8% next year and is thought by many to be one of the earliest economies to recover from the economic crisis. According to IDTechEx, China RFID market will reach RMB10 billion in 2009, giving us further opportunities to take advantage of this growing region. Coupled with robust growth in biometrics for security and access control, highlighted by our numerous project wins, we are confident that we will continue to be a market leader in the Asia Pacific region and the Middle East in delivering innovative products and solutions converging biometrics, RFID and other complimentary technologies.

Nonetheless, facing the current financial turmoil, arguably the worst in recent history, we are of the view that the Company should be cautious and retain cash for running the Group's business with more flexibility. On the other hand, with experience gained after Hong Kong listing, we managed to better understand the different culture and justification between shareholders from AIM and HKSE and their expectation on the Company's dividend policy. To strike a balance in view of current global economic pressure and shareholders' expectation, we aim to continue our dividend policy but to apply it by way of a distribution of new fully paid shares in lieu of cash for this year.

A final dividend in respect of the year ended 31 December 2008 of HK$0.165 per share or 1.5 pence per share (based on an exchange rate of approximately £1 to HK$11.0) was declared by the Board on 11 March 2009 conditional on shareholders resolving at the forthcoming AGM to be held on Tuesday, 21 April 2009 that the dividend be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment (the "Scrip Dividend Scheme"). Details of the Scrip Dividend Scheme are expected to be sent to shareholders on or about 6 April 2009. Shareholders whose names appear on the Registers of Members at the close of business on Friday, 3 April 2009, will be entitled to the proposed final dividend.

The Scrip Dividend Scheme is also conditional upon the Listing Committee of HKSE granting the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme. Application will also be made to the LSE for the new shares to be issued to be admitted to trading on AIM. The share certificates for the Scrip Dividend Scheme are expected to be sent to the shareholders by ordinary mail on or about Wednesday, 29 April 2009.

Last but not least, I would like to take this opportunity to welcome new investors and to thank our shareholders, customers, business partners and employees for their continuous support for RCG and look forward to another prosperous year in 2009.

Dr. Raymond Chu
Chairman and Chief Executive Officer

12 March 2009

• RCG Offices
▪ Customer Coverage

Management Discussion and Analysis

Business review

Over 2008, the Group has raised brand awareness and became a market leader within its operating regions, including Southeast Asia, Greater China and the Middle East. A market research report released by Frost & Sullivan in 2008 recognised the Group as one of the leading international players among companies providing biometric fingerprint recognition, facial recognition and AFIS in the corporate and consumer sectors with global market share of 6%.

In 2008, the Group launched a variety of innovative consumer and enterprise products including **FxCam**, **G10**, **i2**, **i8**, **i9**, **M30**, **K8** and **VxSkynet**. The new products have strengthened our portfolio of offerings ranging from reliable multi-modal biometrics access control systems to leading edge intelligent video surveillance software. Building on existing product offerings, the Group has introduced powerful solutions that suit the needs of professionals working in a variety of industries. The hospital management system solutions were introduced in 2008 to cope with the increasing demand for healthcare services. During the year we also announced the acquisition of equity interests in Vast Base, a company providing ticketing management systems and healthcare industry automation and Chance Best, a company providing ticketing management systems. This acquisition was in line with our business strategy and, we believe, will bring further synergies to our existing solutions.

During 2008, the Group performed strongly with revenue increasing to HK$2,002.4 million, representing a 39.2% increase from the equivalent period in 2007. Profit before taxation for the year 2008 was HK$613.4 million, or a 34.5% increase from 2007.

Overall, the activities and achievements in 2008 demonstrate the Group's success, and we are delighted to receive awards from international organisations recognising our achievements. Among the list of awards, we were particularly excited to receive the "Fastest Growing Company" under the category "Asia's 200 Best Under A Billion — The Region's Top 200 Small and Midsize Companies" awarded by Forbes, the "Asia Pacific Super Excellent Brand", "Great Development Award" and "Business of the Year Award".

Entering 2009, we will take a prudent approach and focus on our business with cautious confidence amid the ongoing economic turbulence, taking measured approaches to cost control which will be realised with the establishment of our new head office in Malaysia.

The Group's business focused on biometrics and RFID and is divided into three business segments: "enterprise", "consumer" and "solutions projects".

Performance of business segments

The Group's business is focused on biometrics and RFID and is divided into three business segments: "enterprise", "consumer" and "solutions projects". The Group's products incorporate biometric technology, frequently in conjunction with RFID features. Our products often have applications in more than one of its business segments.

A key contributor to the Group's turnover is the **consumer** segment, which focuses principally on residential and personal security products for end-users. Products in this segment include **FxGuard Windows Logon**, **BioMirage Coffer** and **FxSecure Book**.

The products under the **enterprise** business segment of the Group are mainly biometric products for commercial use, such as **i-series** and **s-series** biometric fingerprint authentication sensors and RFID card readers used for access control, time attendance, visitor management and security applications, **m-series** door locks that use biometric fingerprint authentication technology, and **k-series** multi-modal security devices that use facial recognition technology, fingerprint authentication technology, password and RFID.

In addition to its biometric and RFID related products, the Group also makes bespoke system solutions for end-users using our internally developed software and hardware capabilities supported by our own and third party products as required. This solutions projects business segment is mostly used for enterprise management and consumer security protection. The Group focuses on high growth industries such as healthcare, ticket management systems, logistics and theme-park solutions.

A breakdown of revenue based on business segments is presented in the table below:

Business Segments	Year ended 31 December 2008 HK$m	2008 %	2007 HK$m	2007 %	y-o-y growth %
Consumer	**835.6**	**41.7**	783.6	54.4	**6.6**
Enterprise	**824.1**	**41.2**	533.3	37.1	**54.5**
Solutions projects	**342.7**	**17.1**	121.9	8.5	**181.0**
Total revenue	**2,002.4**	**100.0**	1,438.8	100.0	**39.2**

The increase in revenue for the consumer segment is attributed to the successful launch of the **iTrain**. **iTrain** is an interactive e-learning device combining hardware and software that uses infrared and RFID technologies. This product accounted for approximately 8.0% of the Group's turnover for the year ended 31 December 2008.

The increase in revenue in the enterprise segment was generated from both the growth in sales of the existing products and the successful introduction of new products. Sales of existing products increased as the Group expanded its distribution networks and continued marketing campaigns for these products. The Group launched the **S903** in 2006 and the **i4 Flexi** in 2007 and sales of these products increased in 2008. In the first quarter of 2008, the Group commenced sales of the new products **K8**, **i8** and **i9**. In March 2008 the Group launched the new **S904** model, which was an upgraded version of the **S903**. In April 2008, the Group launched the **M30**, which was an upgrade of the previous model **M29**.

Increased revenue in the solutions projects segment is attributable to the selling of RFID anti-counterfeit ticketing and management system solutions projects as well as hospital management solution, through Chance Best and Vast Base. The Directors believe that the increase in turnover was also due to further increases in the attractiveness of the Group's Products as a result of performance improvement, including the **FxAlert** facial recognition-based surveillance system. In addition, the Group undertook projects such as freight and vehicle management systems in the second half of 2007, sales from which continued into 2008. In January 2008, the Group launched the **VxSkynet**, an automated video surveillance system with the ability to detect and track suspicious objects such as unattended luggage at airports. The Group commenced sales of **VxSkynet** to customers in Southeast Asia and the Middle East in 2008.

Geographical performance

The Group has regional offices in Kuala Lumpur, Beijing, Shenzhen, Hong Kong, Macau and Dubai and has authorised distributors around the world including in the United States, Singapore, Indonesia, Vietnam, India and Australia. In the Middle East, the Group's distribution covers Jordan, Kuwait, Lebanon, Qatar, Oman and the UAE, with sales activities performed by the Group's own sales team and through third party distributors. The majority of the Group's revenues are generated from Southeast Asia, the Middle East and the PRC regions.

A breakdown of revenue based on geographies is presented in the table below:

Geographical Segments	Year ended 31 December				y-o-y growth
	2008		2007		
	HK$m	**%**	HK$m	%	**%**
Southeast Asia	**1,111.6**	**55.5**	947.3	65.8	**17.3**
Greater China	**432.0**	**21.6**	205.4	14.3	**110.2**
Middle East	**429.6**	**21.5**	247.0	17.2	**73.9**
Other regions	**29.2**	**1.4**	39.1	2.7	**(25.2)**
Total revenue	**2,002.4**	**100.0**	1,438.8	100.0	**39.2**

The increase in the Southeast Asia region and Middle East region is due to the launch of new products in 2008 including the **iTrain**, **K8**, **s2**, **i2**, and the **i5x**. The increase in the Greater China region is attributable to provision of anti-counterfeit ticketing management system through Chance Best and Vast Base. RFID anti-counterfeit ticketing accounted for approximately 40.4% of the Group's turnover in the PRC for the year ended 31 December 2008.

Acquisitions and disposals

The Group acquired the remaining 14.6% equity interest and a further 60.1% equity interests in Chance Best and Vast Base, respective through a series of acquisitions in 2008. As a result, Chance Best became a wholly-owned subsidiary of the Company and Vast Base became a 80%-owned subsidiary of the Company. In total the Company spent HK$642.6 million on these acquisitions during 2008.

Chance Best

Chance Best is a systems integrator that operates in the PRC and is involved in the provision of ticketing management systems. In January 2008, the Group subscribed for 20 new shares in Chance Best, representing approximately 9.8% of the then enlarged share capital of Chance Best, for HK$20 million (or HK$1 million per share).

Over 2008, the Group has raised brand awareness and became a market leader within its operating regions

In November 2008, the Group acquired the remaining 14.6% interest in Chance Best for a total consideration of HK$27.8 million, representing approximately HK$925,104 per share. The consideration was satisfied in cash from internal resources. After this acquisition, Chance Best became the Company's wholly-owned subsidiary.

Vast Base

The Group acquired an aggregate of 80.0% interest in Vast Base in stages in December 2007, May 2008 and November 2008. Vast Base is a systems integrator that operates in the PRC and the Asia Pacific region from offices in Singapore, Kuala Lumpur, Malaysia and Tianjin, the PRC. It is involved in the provision of ticketing management systems and has expanded its business into the provision of healthcare industry automation. The acquisition was made with the primary objective of gaining exposure to Vast Base's contacts with stadium operators, event organisers and hospitals and to its RFID ticket anti-counterfeit and management systems and hospital management system solutions contracts within the PRC.

In May 2008, the Group acquired a 40.1% interest in Vast Base for a total consideration of HK$410.2 million, representing approximately HK$102,300 per share, funded from internal cash resources. A call option was granted for the Group to acquire a further 20.0% interest in Vast Base, exercisable by 31 December 2008. The Group decided to exercise its option to acquire the additional 20.0% interest in Vast Base pursuant to the option with a consideration of HK$204.6 million which was satisfied in cash from internal resources. After this acquisition, Vast Base became an 80.0%-owned subsidiary of the Company.

The acquisitions of Chance Best and Vast Base have enabled the Group to expand its business in the solutions projects segment.

In May 2008 the Group disposed of its entire interests in two subsidiaries, Scanart Solutions Sdn Bhd and Huge Wealth Technology Development Limited with interests of 100% and 85% respectively for a total consideration of MYR2 and HK$85,000 respectively.

Financial review

Turnover

For the year ended 31 December 2008, the Group reported net revenues of HK$2,002.4 million representing an increase of 39.2% as compared to HK$1,438.8 million in 2007. The rise in revenues was due to an increase in turnover across all three of the Group's business segments and particularly the solutions projects segment.

Cost of sales

Cost of sales increased approximately 31.1% from HK$719.7 million in 2007 to HK$943.7 million in 2008. This increase was commensurate with the increase in the Group's turnover for the same period.

Gross profit

Gross profit in 2008 was HK$1,058.7 million, an increase of 47.2% as compared to HK$719.1 million in 2007. The increase in the Group's gross profit was due to the commencement of product sales with higher gross profit i.e. i8, i9, i2, i5x and the increase in solutions projects revenue.

Other operating income

Other operating income decreased approximately 33.6% from HK$29.1 million in 2007 to HK$19.3 million for in 2008 mainly due to a decrease in interest income resulting from the Group holding less cash on deposit, and lower interest rates.

Administrative expenses

Administrative expenses increased approximately 105.5% from HK$176.4 million in 2007 to HK$362.5 million in 2008. This increase was commensurate with the Group's increase in operations for the same period and was also a result of the amortisation of intangible assets amounting to HK$96.4 million compared to HK$1.6 million in 2007.

Selling and distribution costs

Selling and distribution costs decreased approximately 14.6% from HK$113.4 million in 2007 to HK$96.9 million in 2008. Higher selling and distribution costs in 2007 included increased corporate marketing costs brought about by the opening of offices in the PRC in October 2006, South Africa in February 2007 and Thailand in June 2007. The Group also launched the "Purple Mirage" advertising campaign in 2007 for the BioMirage Coffer.

Finance costs

Finance costs increased from HK$2.2 million in 2007 to HK$5.2 million in 2008 and the increase was attributable to the increased utilisation of external interest-bearing financing facilities for working capital purposes.

Profit before taxation

Profit before taxation in 2008 was HK$613.4 million, an increase of 34.5% as compared to HK$456.2 million in 2007.

Income tax expense

Income tax expense decreased from HK$3.5 million in 2007 to HK$2.3 million in 2008. The effective tax rate decreased from 0.8% in 2007 to 0.4% in 2008. The decrease in the effective tax rate was mainly due to an increase in revenues not subject to tax in 2008 as compared to 2007. However, tax is expected to increase in view of the Company's registration of its principal place of business in Hong Kong for the purpose of Hong Kong listing. This may result in the Company being subjected to higher tax charges due to Hong Kong's tax regime. The increase in tax provision/ charge is expected to be reflected from the financial year ending 31 December 2009 onwards.

Profit for the year

As a result of an increase in revenue with a stable cost structure, profit for the year increased by 35% to HK$611.1 million in 2008 as compared to HK$452.7 million in 2007.

Profit attributable to the equity holders of the Company

Profit attributable to the equity holders of the Company increased by approximately 37.5% from HK$452.5 million in 2007 to HK$622.3 million in 2008, and decreased from 31.4% in 2007 to 31.1% in 2008 in terms of percentage of the Group's turnover.

Profit attributable to the minority interests

Profit attributable to the minority interests decreased from profit of HK$0.1 million in 2007 to a loss of HK$11.2 million in 2008. This decrease was mainly due to the amortisation of contract rights of the Group's subsidiaries of HK$86.1 million in 2008 as compared to HK$1.5 million in 2007.

Review of the Group's financial position as at 31 December 2008

Liquidity and capital resources

The Group currently funds its operations with sales revenue from its operating activities. The Group also has cash inflows from interest income and collections and also certain short-term trade financing facilities in place which can be used if required. Key drivers in the Group's sources of cash are primarily the Group's sales and their inflow depends on the Group's ability to collect payments. There have been no material changes in the Group's underlying drivers during the 2008 financial year.

The Group incurred capital expenditure of HK$158.9 million (2007: HK$174.1 million) during the year ended 31 December 2008, mainly for the acquisition of property, plant and equipment and investment in research and development.

The following table sets forth capital expenditures for the periods indicated:

	Year ended 31 December	
	2008	2007
	HK$'000	HK$'000
Purchase of property, plant and equipment	**56,709**	82,326
Purchase of leasehold land	**—**	18,725
Investment in research and development	**102,145**	73,077
	158,854	174,128

The Group has internal budgeting systems in place to ensure that if and when cash is committed to fund major expenditures there is sufficient cash flow to maintain the Group's daily operations and meet all of its contractual obligations.

The Group's capital expenditure for the year ended 31 December 2008 amounted to HK$158.9 million and the Group expects that its capital expenditures will amount to approximately HK$162.0 million in 2009. The capital expenditure for 2008 was primarily for R&D and included cost of the construction of the RCG Tower and for furniture, fixtures and equipment. In 2009, capital expenditure is currently planned to be used for primarily R&D and for furniture, fixtures and equipment for the RCG Tower. The Group finances its capital expenditure requirements primarily with cash generated from its operations.

Although the Group has consistently maintained a very liquid position, banking facilities have nevertheless been put in place for contingency purposes. As at 31 December 2008, the Group had trade financing facilities amounting to HK$31.4 million secured by freehold land and buildings in Malaysia, and a revolving credit line for working capital purposes amounting to HK$159.7 million which was secured by cash deposits. The interest rates for the trade financing line range from 2.05% to 8.5% and it is denominated in Ringgit. It is in the form of bankers' acceptance and trust receipts facilities for trading purposes. The revolving credit line has an interest rate of 0.75% plus HIBOR and is denominated in Hong Kong dollars. It is rolled-over quarterly for working capital financing.

The following sets forth the maturities of the Group's total borrowings as at the balance sheet date:

	Year ended 31 December	
	2008	2007
	HK$'000	HK$'000
Total bank borrowings, secured, repayable within one year	**191,034**	32,312

The Group currently has no other material external debt financing in place. If and when the Group decides to raise financing in the near future, it expects to be able to utilise a variety of options, including debt financing and access to capital markets, which it will access as necessary.

The Group had cash and cash equivalents of HK$320.3 million as of 31 December 2008 compared to HK$651.3 million as of 31 December 2007. The fall was due to the acquisitions made during the year. Going forward, the Directors believe that the Group's liquidity requirements for the foreseeable future can be satisfied using the Group's cash flows from its operations.

Gearing ratio

As at 31 December 2008, the Group's gearing ratio was about 0.067x (2007: 0.016x), calculated as the Group's total debt divided by its total capital. Debt of HK$192.3 million is calculated as total borrowings (including short-term bank loans and current position of long term financing obligations of HK$191.6 million and long term financing obligations of HK$0.7 million). Total capital is calculated as total shareholder equity of HK$2,681.3 million plus debt.

As at the 31 December 2008, the Group had a net cash position of HK$128.0 million (2007: HK$617.5 million) calculated as cash at bank less short term bank loans and long term financing obligations.

Contingent liabilities

As at 31 December 2008, the Group had no contingent liabilities. The Company had acted as a guarantor of one of its subsidiaries to secure interest-bearing borrowings, which amounting to approximately HK$31.4 million as at 31 December 2008.

The carrying amount of the financial guarantee provision recognised in the Company's balance sheet was approximately HK$24,000 as at 31 December 2008 (2007: HK$23,000). The financial guarantee provision was eliminated on consolidation.

Foreign exchange risk management

Certain of the Group's bank balances are denominated in Pounds, Ringgit, United States Dollars and Renminbi, each of which is a currency other than the functional currency of the relevant group entities, which exposes it to foreign currency risk. The Group has not used any financial instruments to hedge against this currency risk. However, the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Human resources

The Group places heavy emphasis on staff training and development so that employees can reach their maximum potential. Remuneration packages are linked with individual and the Group's business performance, and take into consideration industry practices and competitive market conditions. Share options are also granted to eligible employees based on individual performance and the Group performance.

As at 31 December 2008, in addition to the Directors, there were 314 employees of the Group. The employees are stationed in the Group's offices in Hong Kong, Beijing, Shenzhen, Malaysia, and Dubai. Total staff costs for 2008 were HK$111.5 million, compared with HK$111.3 million in 2007.

Management outlook

Using its R&D capabilities the Group continues to develop its portfolio of new and innovative products and solutions services, enhancing its penetration of existing markets and to exploring new vertical markets. Its vision is to be a leading international provider of biometric and RFID products and solutions services.

The Group retains its focus on biometrics and RFID, at the same time seeking to integrate new technologies such as wireless and mobile applications into its products and solutions. The Group plans to expand by increasing its market share in carefully selected, rapidly growing high potential markets, in particular the PRC, the Middle East and Southeast Asia. We will target expanding industries such as healthcare, financial services, infrastructure and container tracking and continue to look for potential business and technological alliances with established companies and/or acquisitions for expanding the Group's sales and distribution networks and technological expertise.

The Group's future plans include developing new products and solutions services using its R&D capabilities, strengthening distribution networks and branding awareness by organic growth and by mergers and acquisitions of companies and businesses, and enhancing its infrastructure for overseas support such as by opening local branch offices and hiring of local staff.

Asia Entrepreneur Alliance
— Asia Pacific Super
Excellent Brand
2007/2008

Motorola Fast
Growth Award 2008

SMI & SME Network
— Business of the
Year Award 2007

Forbes Asia — Fastest Growing
Company 2008

PC.Com — Power Brand
Award 2008

Computer Business
Intelligence —
Great Development
Award 2008

China Red Cross
Humanitarian Service
Award 2008

The Board of the Company is pleased to present to the shareholders their annual report, together with the Group's audited financial statements for the year ended 31 December 2008.

Principal activities

The Company is an investment holding company incorporated in Bermuda with limited liability. The Group is principally engaged in the provision of biometric and RFID products and solutions services. There was no change in the nature of the Group's principal activities during the year. The activities of its principal subsidiaries are set out in note 19 to the financial statements.

Review of business

In the opinion of the Board, the state of the Company's affair as at 31 December 2008 and the future prospects of the Company are promising. A business review can be found in the section of Management Discussion and Analysis on pages 10 to 14.

Results and dividend

The results of the Group for the year ended 31 December 2008 are set out in the Consolidated Income Statement on page 43.

A final dividend in respect of the year ended 31 December 2008 of HK$0.165 per share or 1.5 pence per share (based on an exchange rate of approximately £1 to HK$11.0), amounting to a total dividend of HK$38,399,625, was declared by the Board on 11 March 2009 conditional on shareholders resolving at the AGM that the dividend be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment ("Scrip Dividend Scheme"). Subject to that resolution being passed, the dividend will be paid to shareholders whose names appear on the Company's register of members at the close of business on Friday, 3 April 2009.

The Scrip Dividend Scheme is also conditional upon the Listing Committee of the HKSE granting the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme. Application will also be made to the LSE for the new shares to be issued to be admitted to trading on AIM.

The new shares to be issued under the Scrip Dividend Scheme will rank pari passu in all respects with the existing shares of the Company, except that they will not rank for the final dividend itself. The number of new shares to be allotted to each Shareholder will be rounded down to the nearest whole number. Fractional entitlements to new shares in the Scrip Dividend Scheme will not be issued but will be disregarded.

Full details of the Scrip Dividend Scheme will be set out in a circular to shareholders to be dispatched on or about 6 April 2009. Subject to the relevant resolution being passed, it is expected that the new shares will be admitted to trading on HKSE and AIM on 5 May 2009. It is expected that the CREST accounts of holders of depository interests representing ordinary shares will be credited with new depository interests representing the new shares on 5 May 2009. Share certificates representing the new shares issued in the Scrip Dividend Scheme are expected to be sent to shareholders by ordinary mail on or about Wednesday, 29 April 2009.

Reserves

Details of the movements in the reserves of the Group and of the Company during the year are set out in the Consolidated Statement of Changes in Equity on page 47 and note 25 to the financial statements respectively.

Distributable reserves

As at 31 December 2008, the Company's reserves available for distribution amounted to approximately HK$1,268,070,000 (2007: HK$1,313,367,000) of which HK$38,400,000 has been proposed as a final dividend for the year.

Share capital

Details of the movements in the share capital during the year are set out in note 24 to the financial statements.

Property, plant and equipment

Details of movements in property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

Interest-bearing borrowings

Details of interest-bearing borrowings are set out in note 26 to the financial statements.

Major customers and suppliers

During the year, sales to the Group's five largest customers accounted for approximately 18.9% of the Group's total sales for the year and sales to the Group's largest customer amounted to approximately 5.0%. Purchases from the Group's five largest suppliers accounted for approximately 87.1% of the Group's total purchases for the year and purchases from the Group's largest supplier amounted to approximately 37.8%.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the issued share capital of the Company as at the date of this annual report) had any interest in any of the Group's five largest customers and five largest suppliers.

Directors

The Directors during the year and up to the date of this report are:

Dr. Raymond Chu — Chairman and chief executive officer, was a member of the audit committee, nomination committee and remuneration committee during the year and required to step down his role in the committees in compliance with the Hong Kong Listing Rules on 2 February 2009.

Anita Chau — Deputy Chairman and chief operating officer

Dato' Lee — Executive Director and deputy chief executive officer

Lawrence Ying — Executive Director and deputy chief operating officer (resigned the position of deputy chief operating officer on 2 February 2009)

Bond Liu — Non-executive Director, was Chairman of the remuneration committee, and a member of the audit committee and nomination committee during the year. In compliance with the Hong Kong Listing Rules and for good corporate governance, was redesignated from non-executive Director to independent non-executive Director, and currently is Chairman of the remuneration committee and a member of the nomination committee effective from 2 February 2009.

General Dato' Seri Mohd Azumi — Non-executive Director, was a member of the audit committee, nomination committee and remuneration committee during the year. In compliance with the Hong Kong Listing Rules and for good corporate governance, was redesignated from non-executive Director to independent non-executive Director, and currently is Chairman of the nomination committee and a member of the audit committee and remuneration committee effective from 2 February 2009.

Jonathan Michael Caplan QC — Non-executive Director (appointed on 23 July 2008), was a member of the audit committee, nomination committee and remuneration committee. In compliance with the Hong Kong Listing Rules and for good corporate governance, was redesignated from non-executive Director to independent non-executive Director and is currently a member of the nomination committee and the audit committee effective from 2 February 2009.

Sonny Li — Independent non-executive Director (appointed on 19 January 2009), is Chairman of the audit committee and a member of remuneration committee.

Stephen Lai — Non-executive Director, was the Chairman of the audit committee, and a member of the nomination committee and remuneration committee (resigned on 11 September 2008).

Edric Arthur Ackland-Snow — Non-executive Director, was the Chairman of nomination committee, a member of the audit committee and remuneration committee (resigned on 11 September 2008).

The Company has received from each of the Independent Non-Executive Directors an annual confirmation of his independence pursuant to rule 3.13 of the Hong Kong Listing Rules. The Company considers they are independent.

Biographical details for the current Directors and senior management of the Group are given on pages 36 to 39 under the section of "Directors, Senior Management and Staff".

In accordance with Bye-laws 86(2) and 87(1) of the Company's Bye-Laws, Jonathan Michael Caplan QC, Sonny Li, Anita Chau and Dato' Lee will retire at the forthcoming AGM of the Company and all of them being eligible, offer themselves for re-election.

Directors' service contracts

Dr. Raymond Chu, Anita Chau, Dato' Lee and Lawrence Ying have entered into service contracts with the Group on 2 February 2009. All such contracts are for an initial term of two years. Either the Company or the aforesaid Directors may terminate the services contracts by giving 9 month's notice or payment in lieu.

Save as disclosed above, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determined by the Company within one year without payment of compensation, other than statutory obligations.

Directors' interests in contracts

Save as disclosed in notes 9 and 39 to the financial statements, no Director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Directors' and chief executives' interests and short positions in shares and underlying shares

As at 31 December 2008, the interests and short positions of the Directors and chief executives in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO; or as otherwise notified to the Company and the HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Name of Director	Capacity/ Nature of interest	Number of shares	Number of underlying shares	Number of shares and underlying shares	Approximate percentage of issued share capital
Dr. Raymond Chu	Beneficial owner	295,000	3,200,000	3,495,000	1.5%
	through a controlled corporation (Note 1)	18,000,000	—	18,000,000	7.7%
Anita Chau	Beneficial owner	35,000	1,750,000	1,785,000	0.8%
Dato' Lee	Beneficial owner	25,000	625,000	650,000	0.3%
Lawrence Ying	Beneficial owner	25,000	1,100,000	1,125,000	0.5%
General Dato' Seri Mohd Azumi	Beneficial owner	—	200,000	200,000	0.1%

Note:

1. The Shares were held by Full Future Group Limited which was wholly and beneficially owned by Dr. Raymond Chu. By virtue of the SFO, Dr. Raymond Chu was deemed to be interested in the Shares held by Full Future.

Save as disclosed above, none of the Directors or chief executives had registered an interest or short positions in the shares or underlying shares of the Company or any of its associated corporations as at 31 December 2008 that was required to be recorded pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the HKSE pursuant to the Model Code.

Relationship between Directors

None of the Directors and/or members of the senior management are related.

Significant contract

No contract of significance was entered into between the Company and its any subsidiaries and the controlling shareholders.

Substantial shareholders' interests and short positions in shares and underlying shares

As at 31 December 2008, the following persons or companies (other than the Directors and chief executives) had interest or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO and were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meeting of any other members of the Group were as follows:

Name of substantial shareholder	Capacity/ Nature of interest	Number of shares	Number of underlying shares	Number of shares and underlying shares	Approximate percentage of issued share capital
Veron International Limited	Beneficial owner	64,096,040	—	64,096,040	27.6%
The Offshore Group Holdings Limited (Note 1)	Beneficial owner	62,000,000	—	62,000,000	26.7%
Chan Chun Chuen (Note 1)	Interest of controlled corporation	62,000,000	—	62,000,000	26.7%
Tam Miu Ching (Note 1)	Spousal interest	62,000,000	—	62,000,000	26.7%
Yun Po Kow Rowena (Note 2)	Spousal interest	21,495,000	—	21,495,000	9.2%
Full Future Group Limited (Note 2)	Beneficial owner	18,000,000	—	18,000,000	7.7%
BlackRock Inc. (Note 3)	Interest of controlled corporation	11,997,155	—	11,997,155	5.2% (Note 4)
BlackRock Investment Management (UK) Limited (Note 3)	Beneficial owner	11,997,155	—	11,997,155	5.2% (Note 4)

Notes:

1. The entire issued share capital of The Offshore Group Holdings Limited is beneficially owned by an individual, Mr. Chan Chun Chuen. Tam Miu Ching is the wife of Mr. Chan Chun Chuen. Therefore, Mr. Chan Chun Chuen and Tam Miu Ching are deemed to be interested in the 62,000,000 shares held by The Offshore Group Holdings Limited under the SFO.

2. The entire issued share capital of Full Future Group Limited is held by a Director, Dr. Raymond Chu. Dr. Raymond Chu is also a director of Full Future Group Limited. Yun Po Kow Rowena is the wife of Dr. Raymond Chu and is therefore deemed to be interested in the 21,495,000 shares held by Dr. Raymond Chu under the SFO.

3. According to the "Notification of Major Interests in Shares" form submitted by BlackRock Inc., which controls BlackRock Investment Management (UK) Limited held 11,997,155 Shares, representing 5.2% of the total issued Shares as at 31 May 2007. Such disclosure (i) may or may not represent the number of Shares held by BlackRock Investment Management (UK) Limited as at the year end date as there may be changes in the shareholding thereafter which do not trigger a disclosure obligation in the UK and (ii) may or may not include all interests of BlackRock Investment Management (UK) Limited, BlackRock Inc.(or other persons who have a deemed interest under the SFO) in the Company as required to be disclosed under the SFO as the UK notification requirements in respect of shareholdings in listed companies are different from those in Hong Kong as required under the SFO.

4. Represents the approximate percentage of total issued Shares as at 31 May 2007.

Save as disclosed above, no person (other than the Directors and chief executives, whose interests are set out in the paragraph headed "Directors' and chief executives' interests and short positions in shares and underlying shares"), 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.

Share Option Scheme and Post Listing Share Option Scheme

A share option scheme (the "Share Option Scheme") was adopted by the Company on 28 June 2004 and was amended on 7 June 2006. A post listing share option scheme (the "Post Listing Scheme") was adopted by the Company on 16 October 2008.

Share Option Scheme

Movements of the share options granted under the Share Option Scheme during the year are as follows:

	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Expired during the year	Cancelled during the year	Outstanding at end of the year	Date of grant	Exercisable period	Exercise price
Directors										
Dr. Raymond Chu	1,300,000	–	–	–	–	–	1,300,000	20 April 2005	From 20 April 2008 to 19 April 2015	34.5p
	1,500,000	–	–	–	–	–	1,500,000	4 October 2006	From 4 October 2007 to 3 October 2016	64.25p
	400,000	–	–	–	–	–	400,000	29 March 2007	From 29 March 2008 to 28 March 2017	136p
Anita Chau	450,000	–	–	–	–	–	450,000	20 April 2005	From 20 April 2008 to 19 April 2015	34.5p
	1,000,000	–	–	–	–	–	1,000,000	4 October 2006	From 4 October 2007 to 3 October 2016	64.25p
	300,000	–	–	–	–	–	300,000	29 March 2006	From 29 March 2008 to 28 March 2017	136p

	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Expired during the year	Cancelled during the year	Outstanding at end of the year	Date of grant	Exercisable period	Exercise price
Dato' Lee	400,000	–	–	–	–	–	400,000	4 October 2006	From 4 October 2007 to 3 October 2016	64.25p
	225,000	–	–	–	–	–	225,000	29 March 2007	From 29 March 2008 to 28 March 2017	136p
Lawrence Ying	100,000	–	–	–	–	–	100,000	20 April 2005	From 20 April 2008 to 19 April 2015	34.5p
	800,000	–	–	–	–	–	800,000	4 October 2006	From 4 October 2007 to 3 October 2016	64.25p
	200,000	–	–	–	–	–	200,000	29 March 2007	From 29 March 2008 to 28 March 2017	136p
General Dato' Seri Mohd Azumi	200,000	–	–	–	–	–	200,000	4 October 2006	From 4 October 2007 to 3 October 2016	64.25p
	6,875,000	–	–	–	–	–	6,875,000			
Other employees										
In aggregate	950,000	–	–	–	–	–	950,000	20 April 2005	From 20 April 2008 to 19 April 2015	34.5p
	200,000	–	–	–	–	–	200,000	4 October 2006	From 4 October 2007 to 3 October 2016	64.25p
	3,697,500	–	–	552,500	–	–	3,145,000	29 March 2007	From 29 March 2008 to 28 March 2017	136p
	11,722,500	–	–	552,500	–	–	11,170,000			

Summary of principal terms of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain personnel, to provide incentives to participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

Options can be granted to any employee (including Directors) of the Company or its associated companies under the Share Option Scheme.

The number of shares that can be the subject of options granted under the Share Option Scheme cannot exceed 15% of the issued share capital of the Company from time to time. There is no limit on the value of benefit that can be granted to eligible employees under the Share Option Scheme.

Generally, options can be exercised between the first and tenth anniversaries of the date of grant. The option will lapse if it is not so exercised. If the eligible employee leaves the employment of the Group or any associated company for any other reason, then the option shall lapse. The rules also provide for the early exercise of options, provided that any performance conditions have been satisfied.

The exercise of options may be subject to performance conditions set by the Board from time to time.

The Exercise Price (as defined in the Share Option Scheme) payable on the exercise of options shall be determined by the Directors, but shall be not less than the higher of (i) the mid-market price shown in the Financial Times of London on the day of grant or, if that day is not a Business Day (as defined), for the last preceding Business Day or, if there is no such price, such value as shall be determined by the Directors, and (ii) the nominal value of the shares.

The Share Option Scheme was terminated with effect from the listing of the Company on the HKSE on 10 February 2009. No further options may be granted under the share Option Scheme. The provisions of the Share Option Scheme will continue to apply to options granted before such termination.

Summary of Principal Terms of the Post Listing Scheme

The purpose of the Post Listing Scheme is to attract and retain personnel, to provide incentives to participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

The Board may, at its discretion and on such terms as it may think fit, grant any participant an option as it may determine in accordance with the terms of the Post Listing Scheme. Participant of the Post Listing Scheme comprise Directors (including executive Directors, non-executive Directors and independent non-executive Directors) and full time employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, or service providers of any member of the Group.

The total number of shares in respect of which options may be granted under the Post Listing Scheme shall be 23,161,000 shares, representing 9.95% of the issued share capital of the Company as at the date of this annual report.

The total number of shares issued and to be issued upon exercise of options granted and to be granted to each grantee (including exercised and outstanding options) in any twelve-month period shall not exceed 1 per cent of the shares in issue for the time being.

The Board may grant options on such terms and subject to such conditions as it thinks fit. The Board may, in its absolute discretion, determine that options will be subject to performance targets that must be achieved before vesting. The Board will determine the minimum period, which shall be no less than one year, for which a share option must be held before it vests and any other conditions in relation to dealing with shares on vesting.

The subscription price payable on the exercise of an option shall be a price determined by the Board at its absolute discretion and notified to a participant and shall be no less than the greatest of: (i) the closing price of the shares as stated in the daily quotations sheet issued by the HKSE on the date of grant; (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the HKSE for the five business days immediately preceding the date of grant; or (iii) the nominal value of the shares.

The Post Listing Scheme will be valid and effective for a period of ten years commencing on 16 October 2008, after which period no further options will be offered or granted.

During the year ended 31 December 2008 and up to the date of this annual report, no option has been granted or agreed to be granted pursuant to the Post Listing Scheme.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company (other than service contracts with any Director or any person engaged in the full time employment of the Company) were entered into or existed during the year.

Purchase, sale, issues or redemption of the Company's listed securities

During the year ended 31 December 2008 and up to the date of this annual report, the Company repurchased 587,677 ordinary shares of HK$0.01 each in the capital of the Company at prices range from 55.58 pence to 72.35 pence on the AIM of LSE.

Date	Number of shares purchased	Average price (pence)	Aggregate consideration paid (excluding expenses) £
11 March 2008	62,677	65.10	40,804
13 March 2008	30,000	64.67	19,400
14 March 2008	20,000	64.00	12,800
19 March 2008	25,000	56.00	14,000
20 March 2008	200,000	55.58	111,150
25 March 2008	30,000	60.00	18,000
28 March 2008	30,000	67.63	20,288
1 April 2008	30,000	71.17	21,350
2 April 2008	85,000	68.30	58,055
9 April 2008	25,000	72.35	18,088
18 April 2008	20,000	66.00	13,200
24 June 2008	30,000	58.58	17,575

In compliance with the requirements of the Hong Kong Listing Rules, the above shares repurchased during 2008, together with those repurchased previously, a total of 657,677 treasury shares of the Company were all cancelled on 2 February 2009.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2008.

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.

Competition and conflict of interest

None of the Directors or substantial shareholders of the Company or any of their representative associates has engaged in any business that competes or may compete with the businesses of the Group or has any other conflict of interest with the Group.

Connected transactions

During the year, a subsidiary of the Company had banking facilities with a maximum amount of approximately HK$32,890,000, in respect of which a Director, Dato' Lee, had provided a guarantee in favour of the bank. By February 2009, all such guarantees had been replaced by corporate guarantees provided by members of the Group.

Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, there is sufficient public float as required under the Hong Kong Listing Rules.

Corporate governance

Details of the corporate governance practices of the Company are set out in the "Corporate Governance Report" of this annual report on pages 31 to 34.

Charitable contributions

While focusing on our existing business, the Group is committed to contributing to the society. Donations were made to several charitable organisations to be distributed to people in needs. We have also shown our care to the victims of the disasters happened in China during 2008 including the Sichuan Earthquake and the snowstorm. We were honoured to receive the "China Red Cross Humanitarian Service Award" as recognition to RCG's continual support to Corporate Social Responsibility projects.

During the year under review, the Group made charitable contributions totaling HK$654,515 (2007:HK$436,618).

Auditors

The financial statements for the year ended 31 December 2008 have been audited by Messrs. HLB Hodgson Impey Cheng who shall retire and, being eligible, offer themselves for re-appointment as the auditors of the Company at the forthcoming AGM of the Company.

By order of the Board
Dr. Raymond Chu
Chairman and Chief Executive Officer

11 March 2009

Strong Team Work

We are proud to have received industry awards which acknowledged the strength and innovation of our business.

The information set out on pages 31 to 34 and information incorporated by reference constitutes the Corporate Governance Report of RCG.

During the year ended 31 December 2008, the Directors, where practicable, for an organisation of the Group's size and nature sought to comply with the Combined Code. The Combined Code is the key source of corporate governance recommendations for UK listed companies. It consists of principles of good governance covering the following areas: (i) Directors; (ii) Directors' remuneration; (iii) Accountability and audit; (iv) Relations with shareholders; and (v) Institutional investors.

In connection with the listing of the Company on the HKSE in February 2009, the Company adopted the code provisions set out in the Code on Corporate Governance Practices ("CCG") contained in Appendix 14 to the Hong Kong Listing Rules as its additional code on corporate governance practices on 2 February 2009. The Company did not seek to comply with the CCG during the year ended 31 December 2008 as the Company was not listed on the HKSE at that time and had not adopted the CCG.

The Board meets regularly and the Directors receive information between meetings about the activities of the Group. All Directors have full and timely access to all relevant information of the Group. In addition to the meetings of the Board, the senior management meets frequently to review and discuss the daily operation of the Group.

Board composition

As at 31 December 2008, there were seven Board members consisting of four executive Directors and three non-executive Directors. All non-executive Directors were independent and were not engaged in any business or had any relationship, which could interfere with their independent judgment. During the year, the following changes in the Board composition of the Company took place: (i) Jonathan Michael Caplan QC was appointed a non-executive Director on 23 July 2008; (ii) Both Stephen Lai and Edric Arthur Ackland-Snow resigned as non-executive Directors on 11 September 2008.

In connection with the Hong Kong Listing, on 19 January 2009, Sonny Li was appointed as an independent non-executive Director of the Company.

Both Mr. Caplan's and Mr. Li's appointment as new Directors of the Company were reviewed by the nomination committee, which were recommended to the Board for approval. The appointments are further subject to re-election by shareholders at the forthcoming AGM of the Company pursuant to bye-laws 86 (2) of the Company's Bye-laws.

On 2 February 2009, the then non-executive Directors Jonathan Michael Caplan QC, General Dato' Seri Mohd Azumi and Bond Liu were redesignated as independent non-executive Directors of the Company. At present, all Directors are subject to the general requirement of retirement by rotation of one-third of the Company's board members in each AGM under the Company's Bye-laws 87(1). This year, in accordance with the Company's Bye-laws, in addition to the re-election of Jonathan Michael Caplan QC and Sonny Li as Directors of the Company, Dato' Lee and Anita Chau will retire and will seek re-election at the forthcoming AGM of the Company.

Responsibilities of the Board

The Board is responsible for the overall direction and strategy of the Group, its performance, management and major financial matters. The Board meets regularly to devise and monitor strategies, approve acquisitions and disposals, review managerial performance, examine capital expenditures, approve budgets and handle important financial matters. The Board monitors business risk exposures and reviews performance based on strategies, budgetary goals and development programs. The Board also considers employee issues, key appointments and information for shareholders. A Statement of the Directors' responsibilities in respect of the financial statements is shown on page 40. All Directors have access to the advice and services provided by the chief financial officer and company secretary.

Board committees

The Board has formally established a number of committees and agreed upon their terms of reference. The committees are:

Remuneration committee

The principal function of this committee is to determine the policy on executives' remuneration. During the course of the past financial year, the committee consisted of the following non-executive Directors: Bond Liu, who chairs the committee, Stephen Lai (resigned on 11 September 2008) as Vice Chairman, Edric Arthur Ackland-Snow (resigned on 11 September 2008) and General Dato' Seri Mohd Azumi together with an executive Director, Dr. Raymond Chu. Jonathan Michael Caplan QC becomes the member when he was appointed as a non-executive Director on 23 July 2008. The remuneration committee determines the terms and conditions of service of the executive Directors, including the remuneration and grant of options to executive Directors and employees under the Share Option Scheme and any other future share option schemes and arrangements adopted by the Company. Details of the current Directors' remuneration and the executive share option scheme are shown in the Directors, Senior Management and Staff on page 36 to 39.

In connection with listing of the Company on the HKSE, on 2 February 2009, the Company has rearranged the composition of the remuneration committee. Dr. Raymond Chu stepped down from the committee in compliance with the Hong Kong Listing Rules. The remuneration committee has been reconstituted. With Bond Liu acting as Chairman of the committee and Sonny Li and General Dato' Seri Mohd Azumi as members.

Audit committee

During the course of the year 2008, the audit committee was made up of the following non-executive Directors: Stephen Lai (resigned on 11 September 2008), who acts as the Committee Chairman, with General Dato' Seri Mohd Azumi as Vice Chairman, Edric Arthur Ackland-Snow (resigned on 11 September 2008) and Bond Liu together with an executive Director, Dr. Raymond Chu. Jonathan Michael Caplan QC became the member when he was appointed as a non-executive Director on 23 July 2008. The audit committee has primary responsibility for monitoring the quality of internal control and ensuring that the performance of the Company's auditors relating to the Company's accounting and auditing matters are of good quality.

In connection with listing of the Company on the HKSE, on 2 February 2009, the Company has rearranged the composition of the audit committee. Dr. Raymond Chu has resigned as a member of the audit committee in compliance with the Hong Kong Listing Rules. The audit committee has been reconstituted. Sonny Li acts as Chairman of the committee with Jonathan Michael Caplan QC and General Dato' Seri Mohd Azumi acting as members.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the Company's audited financial statements for the year ended 31 December 2008.

Nomination committee

The committee was made up of the following non-executive Directors with Edric Arthur Ackland-Snow (resigned on 11 September 2008) as the Committee Chairman. The committee members are General Dato' Seri Mohd Azumi as Vice Chairman, Stephan Lai (resigned on 11 September 2008) and Bond Liu together with an executive Director, Dr. Raymond Chu. Jonathan Michael Caplan QC becomes a member when he was appointed as a non-executive Director on 23 July 2008. The nomination committee nominates candidates to fill vacancies on the Board. It is responsible for leading the process for board appointments and for identifying and nominating, for the approval of the Board, candidates for appointments to the Board. It also regularly reviews the structure, size and composition of the Board and keeps under review the leadership needs of the Group to ensure the continued ability of the Group to compete effectively in the market place.

In connection with listing of the Company on the HKSE, on 2 February 2009, the Company has rearranged the composition of the nomination committee. Dr. Raymond Chu stepped down from the committee in compliance with the Hong Kong Listing Rules. The nomination committee has been reconstituted. General Dato' Seri Mohd Azumi acts as Chairman of the committee with Jonathan Michael Caplan QC and Bond Liu acting as members.

Executive committee

The executive committee was established in August 2008 for the purpose of operating as a general management committee with overall delegated authorities from the Board in respect of day-to-day operation matters so as to ensure decisions can be made efficiently to enable the Company to be in a position to seize opportunities in the fast-moving business environment. Dr. Raymond Chu is the Chairman of the executive committee. The other members of the committee are Anita Chau, Dato' Lee, Lawrence Ying and Chong Khing Chung.

Relations with shareholders

The Company's executive Directors meet regularly with institutional investors, fund managers and analysts, as part of an active investor-relations program to discuss long-term issues and receive feedback.

Internal control

The Directors are responsible for the Group's internal control system. They review its effectiveness, which by nature can only provide reasonable and not absolute assurance against material misstatement or loss. The Directors have in place an organizational structure with clearly defined levels of responsibility and delegation of authority. The Board delegates day-to-day responsibility for internal control to the executive committee who conduct regular meetings with their senior management team. During these meetings, the exposure to financial, operations and compliance risk are identified, reported on, assessed and controlled. Control procedures include annual budget approval, performance monitoring, review and approval of capital expenditures and the Group's financial arrangements. The Board retains primary responsibility for acquisition and divestment policy. Appropriate due diligence will be carried out when the company acquires a business.

Auditors' remuneration

For the year ended 31 December 2008, the remuneration in respect of audit services amounted to HK$2,053,000 and non-audit service assignment amounted to HK$3,513,000 provided by the auditors of the Company, HLB Hodgson Impey Cheng, during the year.

Code for Directors' dealings

The Company has adopted a code for Directors' dealings appropriate for a company whose shares are admitted to trading on AIM and takes all reasonable steps to ensure compliance by the Directors and any relevant employees. The form of this code is substantially the same as that set out in Appendix 10 of the Hong Kong Listing Rules.

In connection with the listing of the Company on the HKSE in February 2009, the Company adopted the model code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Hong Kong Listing Rules on 2 February 2009.

Accurate in every detail

Using its R&D capabilities the Group continues to develop its portfolio of new and innovative products and solutions services, enhancing its penetration of existing markets and to exploring new vertical markets.

Directors, Senior Management and Staff

Lawrence Ying | Anita Chau | Dato' Lee | Dr. Raymond Chu | Jonathan Michael Caplan QC | General Dato' Seri Mohd Azumi | Bond Liu | Sonny Li

Dr. Raymond Chu
Chairman and Chief Executive Officer

Anita Chau
Deputy Chairman and Chief Operating Officer

Dato' Lee Boon Han
Executive Director and Deputy Chief Executive Officer

Lawrence Ying
Executive Director

Bond Liu
Independent Non-Executive Directors

General Dato' Seri Mohd Azumi
Independent Non-Executive Directors

Jonathan Michael Caplan QC
Independent Non-Executive Directors

Sonny Li
Independent Non-Executive Directors

Executive Directors

Dr. Raymond Chu

Chairman and Chief Executive Officer

Dr. Raymond Chu, aged 46, is the Chairman and chief executive officer of the Company. As a founder, he joined the Group in 1999. He is responsible for the Group's global business development, operation and management.

Dr. Chu garnered 10 years of experience in property and corporate finance matter. He received a Bachelor of Laws from the University of Bristol, England in 1984. He was subsequently admitted as a solicitor in Hong Kong in 1987.

Anita Chau

Deputy Chairman and Chief Operating Officer

Ms. Anita Chau, aged 36, is the deputy Chairman and chief operating officer of the Company. She joined the Group in 1999 as a founder. She is principally responsible for the management of the Group's business development and operation. She obtained the degree of Bachelor of Social Science at the Chinese University of Hong Kong in 1994. Prior to founding the Group, she held various managerial positions in private firms and has over 12 years of experience in marketing and business management.

Dato' Lee

Executive Director and Deputy Chief Executive Officer

Dato' Lee, aged 39, is the founder of UCH which was acquired by the Group in December 2006. He joined the Group in December 2006 and is currently the deputy chief executive officer of the Group responsible for business development, operations and sales. At UCH, he gained nearly 20 years of experience in development, manufacturing, sales and distribution of IT and security products. He was honoured with the title of "Dato'" by the Sultan of Selangor, Malaysia in 2001 and conferred the honour of "Darjah Indera Mahkota Pahang" by the Sultan of Pahang, Malaysia in 2007.

Lawrence Ying

Executive Director

Mr. Lawrence Ying, aged 34, joined the Group in 1999 as a founder. In April 2004, he was appointed as the deputy chief operating officer of the Group responsible for assisting the Group in implementing its business development programme. He resigned as deputy chief operating officer on 2 February 2009 but continues to oversee the operations of the Group as an executive Director. Mr. Ying works with technical biometric partners including biometric hardware distributors and other technological solutions providers based in Hong Kong, Taiwan, Malaysia, the PRC and the United States. Mr. Ying obtained a degree of Bachelor of Business Administration at the Chinese University of Hong Kong in 1997. He is an executive director of UURG Corporation Limited, a company listed on the Growth Enterprise Market of the HKSE.

Independent non-executive Directors

Bond Liu

Mr. Bond Liu, aged 53, was appointed as a non-executive Director of the Company on 27 April 2004 and was subsequently redesignated as an independent non-executive Director on 2 February 2009. He was formerly a director of the Federation of Hong Kong Industries ("FHKI") with specific responsibilities on Intellectual Property Protection and Training. He has had more than 20 years of managerial experience, 18 years of which were attached with the FHKI. He obtained a degree of Bachelor of Arts from the City University of New York, U.S. in 1981 and was awarded a Master Degree in Business Administration by the University of East Asia in Macau in 1989.

General Dato' Seri Mohd Azumi

General Dato' Seri Mohd Azumi, aged 60, was appointed as a non-executive Director on 20 September 2006 and was subsequently redesignated as an independent non-executive Director on 2 February 2009. He joined the private sector following his retirement as Chief of the Malaysian Army after a military career of 37 years. A qualified parachutist, General Dato' Seri Mohd Azumi has wide experience in international peacekeeping duties having served with the UN Observation Missions in Iraq and Kuwait and having been involved in the deployment of Malaysian peacekeepers in Cambodia, Somalia and Bosnia Herzegovina. He also represented Malaysia at the UN Troop Contributing Nations Meeting in Zagreb. He is a graduate of the National Defense University Washington DC holding a

Master of Science in Natural Resources and Strategy. He serves as a director of Atlan Holdings Berhad (a company listed on Bursa Malaysia), Halim Mazmin Berhad (a company listed on Bursa Malaysia) and CBS Technology Berhad (a company listed on Bursa Malaysia). He is also an independent non-executive director of UURG Corporation Limited, a company listed on the HKSE. General Dato' Seri Mohd Azumi also holds a Graduate Diploma in Strategy accredited by the Australian National Accreditation Agency.

Jonathan Michael Caplan QC

Mr. Jonathan Michael Caplan QC, aged 57, was appointed as a non-executive Director on 23 July 2008 and was subsequently redesignated as an independent non-executive Director on 2 February 2009. He has been a barrister since 1973 and was appointed Queen's Counsel of the English Bar in 1991. Mr. Caplan's legal specialisation includes criminal and civil fraud, corporate liability, media law and contempt, health and safety, gross negligence, public enquiries and disciplinary tribunals. He has been authorised to appear in Hong Kong cases, which he has done so on many occasions since 1992. Outside of law, Mr. Caplan is also the Chairman of BAFTA Management Limited, the body which supervises the charity British Academy of Film and Television Arts.

Sonny Li

Mr. Sonny Li, aged 50, was appointed as an independent non-executive Director on 19 January 2009. Mr. Li is the company secretary and financial controller for Huafeng Group Holdings Limited, a company listed on the Main Board of the HKSE and principally engaged in the supply of yarn products and fabric processing services for the textile industry in the PRC. Mr. Li was previously the financial controller of Man Fai Tai Holdings Limited, a construction materials manufacturing and trading company. He was a director of Hycomm Wireless Limited, a company listed on the Main Board of the HKSE, from May 2005 to January 2008.

Mr. Li holds a Bachelor of Arts degree in Business Administration from the University of Seattle, USA. He is also a fellow of the Hong Kong Institute of Certified Public Accountants, CPA Australia, and The Financial Services Institute of Australasia.

Senior management

Chong Khing Chung, aged 41, is the Group's chief financial officer. He joined the Group in May 2007 and is responsible for the Group's financial planning, treasury, corporate finance and company secretarial matters. Prior to joining the Group, Mr. Chong garnered 18 years of experience in accountancy, stockbroking, plantation and electronics industry. He was the executive director of Innosabah Securities Berhad, a Malaysian registered public company, with a stockbroking licence granted by the Malaysian Ministry of Finance and administered by the Malaysian Securities Commission, for eight years from 1994 to 2002.

As an executive director and group chief financial officer of Cepatwawasan Group Berhad, a company listed on the Bursa Malaysia, for over a year from August 2004 to November 2005 and the group chief financial officer of Nucleus Electronics Limited, a company listed on the Stock Exchange of Singapore, from November 2006 to April 2007, he was responsible for ensuring the company operation was in compliance with the relevant legislation of Malaysia and Singapore. In September 2005, he was appointed as an independent non-executive Director and chairman of the audit committee of Borneo Aqua Harvest Berhad, a company listed on the Bursa Malaysia. He became a Chartered Member of the Malaysian Institute of Accountants in July 1993 and a Certified Practising Accountant of Australia in March 1993. He is also an accredited company secretary under section 139A(b) of the Malaysian Companies Act 1965. He obtained a Bachelor's degree in Commerce from University of Western Australia in 1990.

Dr. Sri Hartati Kurniawan, aged 33, joined the Group in November 2006 and is the Group's chief technical officer. She is responsible for formulating corporate strategy and intelligence for the Group as well as spearheading the Group's R&D team. She has experience in technology investment and management for commercialisation with rich expertise in R&D conducted for industry and government sponsored projects. She holds a Master of Science degree and a Doctor of Philosophy degree in Industrial Engineering and Engineering Management awarded by the Hong Kong University of Science and Technology.

Chew Tean, aged 36, is a director of RCG ME and the chief representative of the RCG Dubai regional office. He joined the Group in January 2006 and oversees the Group's overall operations in the Middle East. He has more than 10 years of experience in sales and development. Prior to joining the Group, he worked for two years as a department head at Carrefour Malaysia. He also worked for two years as the business manager of an furniture and equipment trading company, Artwright Holdings Bhd, and for nine years as the executive director of Skycomp Technology. Mr. Chew received a double major degree in Marketing and Business Administration from the University of Strathclyde in Glasgow, Scotland, in 1995.

Chan Lai Hung, aged 39, is the senior vice president of RCG China and the chief representative of the Group's regional office in Beijing. She joined the Group in February 2006 and is responsible for the Group's business development programme in the PRC. She has previously worked for five years as a sales manager for a electrical appliance manufacturer based in Hong Kong and for one year as the chief translator and editor of Japanese to English translations for A&E Communication, Inc, a translation and interpreting agency in Canada. Ms. Chan received degrees of Bachelor of Arts in Japanese from the University of British Columbia, Canada and a Master degree of Arts in Japanese interpreting and translation from the University of Queensland, Australia.

Ng Sow Hua, aged 39, is the general manager of RCG Malaysia. He joined the Group in May 2006 and leads a team of sales and marketing and assists in overall operations in Malaysia. He has experience in sales planning and marking strategies. He previously worked for three years as a branch manager of Ipmuda Bhd, a building material trading and distribution company. Mr. Ng was educated in Malaysia and has over 15 years of experience in the technology industry.

Company secretary

Lee Wai Fun, Betty, aged 48, is the company secretary of the Company. She is a professional company secretary for the purposes of the Company's compliance with the requirement under Rule 8.17 of the Hong Kong Listing Rules. She is also an employee of Richards Butler in association with Reed Smith LLP, legal advisors to the Company. She is an associate member of the Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries.

Human resources

Issues related to human resources has been addressed in the subsection titled "Human Resources" under the section Management Discussion and Analysis on page 17.

Statement of Directors' Responsibilities in respect of Financial Statements

The Directors are responsible for the preparation of financial statements for each financial year. The financial statements must give a true and fair view of the state of affairs of the Company and the Group, and the Group's profit and loss for that period.

When preparing financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently

- Make judgments and estimates that are reasonable

- State whether they adhered to applicable accounting standards subject to any material departures disclosed and explained in the financial statements

- Prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business

The Directors must keep proper accounting records, which disclose, with reasonable accuracy at any time, the financial position of the Group and the Company. The Directors must ensure that the financial statements comply with applicable laws and follow International Financial Reporting Standards. The Directors must also safeguard the assets of the Group and the Company, and take reasonable steps to prevent and detect fraud or other irregularities.

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
RCG HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of RCG Holdings Limited (the "Company") set out on pages 43 to 105, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 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 International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 of the Company, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 11 March 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Turnover	6	**2,002,353**	1,438,781
Cost of sales		**(943,731)**	(719,710)
Gross profit		**1,058,622**	719,071
Other operating income	7	**19,334**	29,138
Selling and distribution costs		**(96,851)**	(113,410)
Administrative expenses		**(362,494)**	(176,363)
Profit from operations	8	**618,611**	458,436
Finance costs	10	**(5,235)**	(2,229)
Profit before taxation		**613,376**	456,207
Income tax expense	11	**(2,274)**	(3,541)
Profit for the year		**611,102**	452,666
Attributable to:			
Equity holders of the Company		**622,268**	452,528
Minority interests		**(11,166)**	138
		611,102	452,666
Earnings per share attributable to equity holders of the Company			
— Basic	12	**HK$2.69**	HK$2.03
— Diluted	12	**HK$2.68**	HK$2.02
Proposed final dividend per share	13	**HK$0.165 or £0.015**	HK$0.078 or £0.005

Consolidated Balance Sheet

As at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**187,736**	162,608
Prepaid lease payments	15	**17,791**	18,378
Goodwill	16	**173,570**	179,356
Intangible assets	17	**1,275,689**	256,534
Available-for-sale financial assets	18	**—**	120,000
		1,654,786	736,876
Current assets			
Prepaid lease payments	15	**183**	189
Inventories	20	**294,034**	144,945
Trade receivables	21	**500,281**	395,278
Deposits, prepayments and other receivables	22	**407,277**	236,680
Cash at bank and in hand	23	**320,319**	651,290
		1,522,094	1,428,382
Total assets		**3,176,880**	2,165,258
EQUITY			
Equity holders of the Company			
Share capital	24	**2,323**	2,323
Reserves		**2,679,008**	2,060,219
		2,681,331	2,062,542
Minority interests		**199,770**	31,618
Total equity		**2,881,101**	2,094,160

	Notes	2008 HK$'000	2007 HK$'000
LIABILITIES			
Non-current liabilities			
Obligations under finance leases	27	**649**	883
Deferred tax liabilities	28	**4,897**	4,362
		5,546	5,245
Current liabilities			
Trade payables	29	**73,493**	18,842
Accruals and other payables	30	**24,468**	10,978
Tax payables		**637**	3,171
Interest-bearing borrowings	26	**191,034**	32,312
Obligations under finance leases	27	**601**	550
		290,233	65,853
Total liabilities		**295,779**	71,098
Total equity and liabilities		**3,176,880**	2,165,258
Net current assets		**1,231,861**	1,362,529
Total assets less current liabilities		**2,886,647**	2,099,405

The financial statements were approved and authorised for issue by the Board on 11 March 2009 and signed on its behalf by:

Dr. Raymond Chu
Executive Director

Anita Chau
Executive Director

Company Balance Sheet

As at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**10**	16
Investments in subsidiaries	19	**9,817**	9,816
		9,827	9,832
Current assets			
Amounts due from subsidiaries	19	**1,343,251**	1,225,999
Deposits, prepayments and other receivables	22	**504**	23,852
Cash at bank and in hand	23	**14,622**	112,652
		1,358,377	1,362,503
Total assets		**1,368,204**	1,372,335
EQUITY			
Share capital	24	**2,323**	2,323
Reserves	25	**1,307,312**	1,354,291
Total equity		**1,309,635**	1,356,614
LIABILITIES			
Current liabilities			
Amount due to a subsidiary	19	**50,573**	12,178
Accruals and other payables	30	**7,996**	3,543
Total liabilities		**58,569**	15,721
Total equity and liabilities		**1,368,204**	1,372,335
Net current assets		**1,299,808**	1,346,782
Total assets less current liabilities		**1,309,635**	1,356,614

The financial statements were approved and authorised for issue by the Board on 11 March 2009 and signed on its behalf by:

Dr. Raymond Chu
Executive Director

Anita Chau
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to equity holders of the Company												
	Share capital HK$'000	Share premium HK$'000	Treasury shares HK$'000	Employee Share-based compensation reserve HK$'000	Capital reserve HK$'000	Translation reserve HK$'000	Revaluation reserve HK$'000	Legal reserve HK$'000	Retained earnings HK$'000	Proposed final dividends HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total HK$'000
As at 1 January 2007	1,949	588,995	–	9,756	(898)	2,135	–	48	338,890	17,813	958,688	1,392	960,080
Exchange difference arising from translation of investments in foreign subsidiaries	–	–	–	–	–	11,444	–	–	–	–	11,444	86	11,530
Profit for the year	–	–	–	–	–	–	–	–	452,528	–	452,528	138	452,666
Total recognised income for the year	–	–	–	–	–	11,444	–	–	452,528	–	463,972	224	464,196
Proceeds from placing of shares	333	669,345	–	–	–	–	–	–	–	–	669,678	–	669,678
Cost of placing of shares	–	(38,281)	–	–	–	–	–	–	–	–	(38,281)	–	(38,281)
Exercise of share options	41	7,989	–	(1,788)	–	–	–	–	–	–	6,242	–	6,242
Cost of share-based payment	–	–	–	24,926	–	–	–	–	–	–	24,926	–	24,926
Transfer to capital reserve	–	–	–	–	26	–	–	–	–	–	26	–	26
Dividends paid	–	–	–	–	–	–	–	–	(4,049)	(17,813)	(21,862)	–	(21,862)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	30,002	30,002
Acquisition of treasury shares	–	–	(847)	–	–	–	–	–	–	–	(847)	–	(847)
Proposed final dividends	–	–	–	–	–	–	–	–	(18,079)	18,079	–	–	–
As at 31 December 2007 and 1 January 2008	2,323	1,228,048	(847)	32,894	(872)	13,579	–	48	769,290	18,079	2,062,542	31,618	2,094,160
Exchange difference arising from translation of investments in foreign subsidiaries	–	–	–	–	–	(68,735)	–	–	–	–	(68,735)	–	(68,735)
Profit for the year	–	–	–	–	–	–	–	–	622,268	–	622,268	(11,166)	611,102
Total recognised income for the year	–	–	–	–	–	(68,735)	–	–	622,268	–	553,533	(11,166)	542,367
Cost of share-based payment	–	–	–	6,535	–	–	–	–	–	–	6,535	–	6,535
Lapse of share options	–	–	–	(2,568)	–	–	–	–	2,568	–	–	–	–
Dividends paid	–	–	–	–	–	–	–	–	(1,128)	(18,079)	(19,207)	–	(19,207)
Acquisition of a subsidiary	–	–	–	–	–	–	83,577	–	–	–	83,577	409,200	492,777
Acquisition of additional shares of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(229,872)	(229,872)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(10)	(10)
Acquisition of treasury shares	–	–	(5,649)	–	–	–	–	–	–	–	(5,649)	–	(5,649)
Proposed final dividends	–	–	–	–	–	–	–	–	(38,400)	38,400	–	–	–
As at 31 December 2008	**2,323**	**1,228,048**	**(6,496)**	**36,861**	**(872)**	**(55,156)**	**83,577**	**48**	**1,354,598**	**38,400**	**2,681,331**	**199,770**	**2,881,101**

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Profit before taxation		**613,376**	456,207
Amortisation of intangible assets	17	**96,369**	1,573
Amortisation of prepaid lease payments	15	**185**	158
Depreciation	14	**26,824**	23,212
Loss on disposal of property, plant and equipment		**253**	211
Share-based payment expenses	38	**6,535**	24,926
Gain on disposal of subsidiaries		**(28)**	—
Provision of obsolescent inventories		**1,191**	1,718
Impairment of trade receivables	21	**1,808**	1,447
Impairment of goodwill		**—**	13,812
Bank interest income	7	**(18,805)**	(26,215)
Write-off of property, plant and equipment		**79**	403
Interest expenses on interest-bearing borrowings and bank overdrafts	10	**4,023**	1,314
Operating cash flows before movements in working capital		**731,810**	498,766
Increase in inventories		**(150,280)**	(47,030)
Increase in trade receivables		**(84,904)**	(131,495)
Increase in deposits, prepayments and other receivables		**(170,597)**	(127,827)
Increase/(decrease) in trade payables		**41,423**	(26,341)
Increase in accruals and other payables		**13,490**	3,952
Cash generated from operations		**380,942**	170,025
Bank interest income received	7	**18,805**	26,215
Income tax paid		**(4,273)**	(4,828)
Net cash generated from operating activities		**395,474**	191,412
Cash flows from investing activities			
Purchases of property, plant and equipment	14	**(56,709)**	(82,326)
Purchase of leasehold land	15	**—**	(18,725)
Purchase of available-for-sale financial assets	18	**—**	(120,000)
Investment in intangible assets	17	**(102,145)**	(73,077)
Net cash paid for acquisition of a subsidiary	32	**(614,823)**	(154,998)
Net cash paid for acquisition of additional shares of a subsidiary		**(27,753)**	—
Proceeds from disposal of subsidiaries		**18**	—
Proceeds from disposal of property, plant and equipment		**—**	553
Net cash used in investing activities		**(801,412)**	(448,573)

	Notes	2008 HK$'000	2007 HK$'000
Cash flows from financing activities			
Interest expenses paid on interest-bearing borrowings and bank overdrafts	10	**(4,023)**	(1,314)
Issue of new shares		**—**	675,920
Cost of issue of new shares		**—**	(38,281)
Interest-bearing borrowings received		**191,034**	1,010
Interest-bearing borrowings repaid		**(32,312)**	—
Acquisition of treasury shares		**(5,649)**	(847)
Proceeds from inception of obligations under finance leases		**484**	663
Repayment of obligations under finance leases		**(667)**	(568)
Dividends paid		**(19,207)**	(21,862)
Net cash generated from financing activities		**129,660**	614,721
Net (decrease)/increase in cash and cash equivalents for the year		**(276,278)**	357,560
Cash and cash equivalents at beginning of the year		**651,290**	297,900
Effect of foreign exchange rate changes		**(54,693)**	(4,170)
Cash and cash equivalents at end of the year	23	**320,319**	651,290
Analysis of the balances of cash and cash equivalents:			
Cash at bank and in hand		**320,319**	651,290

1. Corporate Information

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are dual primary listed on The Stock Exchange of Hong Kong Limited and The Alternative Investment Market of the London Stock Exchange. The Company's shares were admitted to trading on The Stock Exchange of Hong Kong Limited on 10 February 2009.

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company is located at 1507, AIA Tower, 251A–301, Avenida Comercial De Macau, Macau SAR.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 19.

2. Application of New and Revised International Financial Reporting Standards

In the current year, the Group has applied the following amendments and interpretations ("new IFRSs") issued by the International Accounting Standards Board which are or have become effective.

IAS 39 & IFRS 7 (Amendments)	Reclassification of Financial Assets
IFRIC 11	IFRS 2 — Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 14	IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IAS 39 & IFRS 7 (Amendments) *Reclassification of Financial Assets* permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to IFRS 7 *Financial Instruments: Disclosures* introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. This amendment does not have any impact on the Group's financial statements, as the Group has not reclassified any financial assets.

IFRIC 11 *IFRS 2 — Group and Treasury Share Transactions* provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have any impact on the Group's financial statements.

IFRIC 12 *Service Concession Arrangements* and IFRIC 14 *IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* are effective in this accounting period but are not relevant to the Group's operations.

3. Issued but not yet Effective International Financial Reporting Standards

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

IFRSs (Amendments)	Improvements to IFRSs[1]
IAS 1 (Revised)	Presentation of Financial Statements[2]
IAS 23 (Revised)	Borrowing Costs[2]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
IAS 39 (Amendment)	Eligible Hedged Items[3]
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
IFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
IFRS 3 (Revised)	Business Combinations[3]
IFRS 8	Operating Segments[2]
IFRIC 13	Customer Loyalty Programmes[4]
IFRIC 15	Agreements for the Construction of Real Estate[2]
IFRIC 16	Hedges of a Net Investment in a Foreign Operation[5]
IFRIC 17	Distribution of Non-cash Assets to Owners[3]
IFRIC 18	Transfers of Assets from Customers[3]

1 Effective for annual periods beginning on or after 1 January 2009 except for the amendments to IFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods beginning on or after 1 July 2008
5 Effective for annual periods beginning on or after 1 October 2008

The application of IFRS 3 (Revised) *Business Combinations* may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. IAS 27 (Revised) *Consolidated and Separate Financial Statements* will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The Directors of the Company are in the process of making an assessment of the impact of the above new and revised standards, amendments or interpretations on the results and the financial position of the Group.

4. Significant Accounting Policies

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The financial statements have been prepared under the historical cost basis, except for certain financial instruments which have been measured at fair values.

The financial statements are presented in Hong Kong Dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000), except when otherwise indicated.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

4. Significant Accounting Policies (Continued)

(c) Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(d) Goodwill

Goodwill arising on an acquisition of a business represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

4. Significant Accounting Policies (Continued)

(e) Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Internally-generated intangible assets — research and development expenditures

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is charged to income statement in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is carried at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are carried at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets acquired separately.

4. Significant Accounting Policies (Continued)

(e) Intangible assets (Continued)

Impairment

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss is recognised as income immediately.

Intangible assets with finite useful lives are tested for impairment when there is an indication that the assets may be impaired (note 4(p)).

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts, estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

(i) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

(ii) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

(iii) the amount of revenue can be measured reliably;

(iv) it is probable that the economic benefits associated with the transaction will flow to the entity; and

(v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from provision of biometric and RFID solution services are recognised when the services are rendered.

Interest income

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

4. Significant Accounting Policies (Continued)

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided at rates calculated to write off the cost of property, plant and equipment, less their estimated residual value, over their expected useful lives on the following bases:

Land and buildings	2%
Leasehold improvements	20%
Furniture, fixtures and equipment	20%
Showroom equipment	$33\frac{1}{3}$%
Mould	20%
Motor vehicles	20%
Development tools	20%

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

(h) Prepaid lease payments

Payment for obtaining land use rights is accounted for as prepaid lease payments and is charged to income statement on a straight-line basis over the lease terms.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first-in, first-out basis. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

4. Significant Accounting Policies (Continued)

(j) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Hong Kong Dollars ("HKD"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the income statement in the period in which they arise except for:

— exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;

— exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

— exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in the income statement on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Hong Kong dollars using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such exchange differences are recognised in the income statement in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing date.

4. Significant Accounting Policies (Continued)

(k) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4. Significant Accounting Policies (Continued)

(k) Taxation (Continued)

Current and deferred tax are recognised as an expense or income in the income statement, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

(l) Pensions

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

Pursuant to the relevant laws and regulations, the subsidiaries in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Contributions are made based on a percentage of the employees' basic salaries and such contributions are recognised as an expense in the income statement as incurred.

Pursuant to the relevant regulations of the government of the People's Republic of China (the "PRC"), the subsidiaries operating in the PRC have participated in central pension schemes (the "Schemes") operated by local municipal governments, whereby the subsidiaries in the PRC are required to contribute a certain percentage of the basic salaries of their employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries in the PRC. The only obligation of the Group with respect to the Schemes is to pay the ongoing required contributions under the Schemes mentioned above. Contributions under the Schemes are charged to the income statement as incurred. There are no provisions under the Schemes whereby forfeited contributions may be used to reduce future contributions.

4. Significant Accounting Policies (Continued)

(m) Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group became a party to the contractual provisions of the instrument.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives in unlisted equity securities that are either designated in this category or not classified as loans and receivables, held-to-maturity financial assets or financial assets at fair value through profit or loss. Available-for-sale financial assets are stated at their fair values for initial recognition.

When the unlisted equity securities do not have a quoted market price in an active market and which fair values cannot be reliably measured, such securities are stated at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in income statement when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Available-for-sale financial assets are included in non-current assets unless management intends to dispose of the assets within 12 months of the balance sheet date.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest rate method, less impairment losses for bad and doubtful debts except where the receivables are interest-free loans made to related parties without any fixed repayment terms of the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

The impairment losses recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and other short-term highly liquid investments that are directly convertible to a known amount of cash and are insignificant risk of change in value.

Trade and other payables

Trade and other payables are initially measured at fair value. Except for financial guarantee liabilities, trade and other payables 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.

4. Significant Accounting Policies (Continued)

(m) Financial instruments (Continued)

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Interest-bearing borrowings are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(o) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement in the period in which they are incurred.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

(p) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belong.

4. Significant Accounting Policies (Continued)

(p) Impairment of assets (Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows and 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

(q) Share-based payments

The Company issues equity-settled share-based payments to Directors, certain employees and financial adviser of the Group for the purpose of recognising and acknowledging the contributions that had been made or may be made to the Group. Equity-settled share-based payments are measured at fair value at the date of grant.

The fair value of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period.

Fair value is measured using the Black-Scholes pricing model with variables included share price on date of grant, exercise price, vesting period, date of expiry, expected volatility and expected dividends.

(r) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

4. Significant Accounting Policies (Continued)

(s) Financial guarantees issued and provisions

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within creditors and accruals. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in the income statement on initial recognition of any deferred income.

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligations. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

5. Critical Accounting Estimates and Judgements

The preparation of the financial statements in conformity with IFRSs requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The critical accounting estimates and assumptions used and area involving a high degree of judgements are described below:

(a) Estimated impairment of goodwill

The management of the Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 4(d). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The management would refer to the valuation performed by independent qualified valuers. In performing the valuation, the valuers have based on method of valuation which involves certain estimates and assumptions.

5. Critical Accounting Estimates and Judgements (Continued)

(b) Useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be 3–50 years. As changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, future depreciation charges could be revised. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(d) Trade receivables

The aged debt profile of trade receivables is reviewed on a regular basis to ensure that the trade receivables balances are collectible and follow-up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of trade receivables balances is called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the trade receivables balances and write-off history. Certain trade receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related trade receivables to the income statement. Changes in the collectibility of trade receivables for which provisions are not made could affect the results of operations.

(e) Impairment of intangible assets

The Directors of the Company reconsidered the recoverability of the Group's intangible assets "contract rights" and "product development and design".

The recoverable amounts of the intangible assets have been determined based on value-in-use calculations. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the intangible assets and a suitable discount rate in order to calculate the present value. The management refers to the valuation performed by independent qualified valuers. In performing the valuation, the valuers have based on method of valuation which involves certain estimates and assumptions.

5. Critical Accounting Estimates and Judgements (Continued)

(f) Impairment of available-for-sale financial assets

The Directors of the Company reconsidered the recoverability of the Group's available-for-sale financial assets.

The recoverable amounts of the available-for-sale financial assets have been determined based on value-in-use calculations. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the available-for-sale financial assets and a suitable discount rate in order to calculate the present value. The management refers to the valuation performed by independent qualified valuers. In performing the valuation, the valuers have based on method of valuation which involves certain estimates and assumptions.

6. Segment Information

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In presenting information on the basis of the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

The Group's operating businesses are structured and managed separately according to the nature of products and services. Each of the Group's business segments represents a strategic business unit that offers different products which are subject to risks and return that are different from those of the other business segments. The Group comprises of the following main business segments:

— the *Consumer* segment sells consumer products such as Biomirage Storage Box, FxSecure Key and FxGuard Window Logon;

— the *Enterprise* segment sells enterprise products such as i-seris, s-series, m-series access control devices; and

— the *Solutions Projects* segment provides and delivers comprehensive biometric application and RFID solutions such as event-ticketing and theme park solutions to strategic partners.

In determining the Group's geographical segments, the secondary segment reporting basis, turnover and results are attributed to the segment based on the location of the customers.

There are no inter-segment sales and transfers between the business segments.

6. Segment Information (Continued)

The following table presents turnover, results and other information for the Group's business segments:

	Consumer		Enterprise		Solutions Projects		Total	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Turnover — external sales	**835,579**	783,549	**824,123**	533,305	**342,651**	121,927	**2,002,353**	1,438,781
Segment results	**357,216**	323,234	**469,803**	320,047	**231,603**	75,790	**1,058,622**	719,071
Unallocated other operating income							**19,334**	29,138
Unallocated expenses							**(459,345)**	(289,773)
Finance costs							**(5,235)**	(2,229)
Profit before taxation							**613,376**	456,207
Income tax expense							**(2,274)**	(3,541)
Profit for the year							**611,102**	452,666
Segment assets	**771,101**	526,280	**583,132**	133,583	**1,309,691**	433,452	**2,663,924**	1,093,315
Unallocated assets							**512,956**	1,071,943
Total assets							**3,176,880**	2,165,258
Segment liabilities	**27,216**	13,126	**39,972**	3,448	**6,304**	1,880	**73,492**	18,454
Unallocated liabilities							**222,287**	52,644
Total liabilities							**295,779**	71,098
Other segment information:								
Capital expenditures	**6,600**	5,936	**95,545**	52,207	**—**	15,607	**102,145**	73,750
Unallocated amounts							**56,709**	100,378
							158,854	174,128
Depreciation	**6,592**	6,547	**6,592**	—	**—**	6,547	**13,184**	13,094
Unallocated amounts							**13,640**	10,118
							26,824	23,212
Amortisation of prepaid lease payments	**—**	—	**—**	—	**—**	—	**—**	—
Unallocated amounts							**185**	158
							185	158
Amortisation of intangible assets	**3,865**	—	**6,383**	—	**86,121**	1,543	**96,369**	1,543
Unallocated amounts							**—**	30
							96,369	1,573
Other non-cash expenses	**—**	—	**—**	—	**—**	—	**—**	—
Unallocated amounts							**6,535**	24,926
							6,535	24,926
Impairment of goodwill	**—**	—	**—**	—	**—**	13,812	**—**	13,812

6. Segment Information (Continued)

The following tables provide an analysis of the Group's turnover, segment results, capital expenditures, amortisation and depreciation, segment assets and segment liabilities, by geographical market, irrespective of the origin of the goods and services:

	Turnover		Segment results	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Southeast Asia	**1,111,555**	947,276	**561,471**	466,730
Greater China	**431,957**	205,452	**248,877**	123,375
Middle East	**429,644**	247,000	**232,473**	115,605
Others	**29,197**	39,053	**15,801**	13,361
	2,002,353	1,438,781	**1,058,622**	719,071

	Segment assets		Segment liabilities		Capital expenditures		Amortisation and depreciation	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Southeast Asia	**832,389**	879,691	**61,673**	55,098	**51,702**	105,383	**5,911**	5,049
Greater China	**2,337,637**	1,279,546	**232,975**	12,966	**106,652**	68,452	**117,281**	19,835
Middle East	**6,854**	6,021	**1,131**	3,034	**500**	293	**186**	59
	3,176,880	2,165,258	**295,779**	71,098	**158,854**	174,128	**123,378**	24,943

7. Other Operating Income

	2008 HK$'000	2007 HK$'000
Bank interest income	**18,805**	26,215
Gain on disposal of subsidiaries	**28**	—
Sundry income	**501**	2,923
	19,334	29,138

8. Profit from Operations

The profit from operations is stated after charging:

	2008 HK$'000	2007 HK$'000
Depreciation		
— Owned assets	**26,241**	22,688
— Assets held under finance leases	**583**	524
	26,824	23,212
Cost of inventories sold	**943,731**	719,710
Amortisation of prepaid lease payments (note 15)	**185**	158
Impairment of goodwill (note 16)	**—**	13,812
Amortisation of intangible assets (note 17)	**96,369**	1,573
Write-off of property, plant and equipment	**79**	403
Loss on disposal of property, plant and equipment	**253**	211
Impairment of trade receivables	**1,808**	1,447
Provision of obsolescent inventories	**1,191**	1,718
Foreign exchange loss	**20,248**	1,498
Auditors' remuneration	**2,053**	4,068
Research and development expenses	**15,305**	38,506
Operating lease rentals in respect of premises	**19,037**	11,601
Staff costs, including directors' remuneration (note 9)	**111,535**	111,276

9. Staff Costs and the Five Highest Paid Individuals

(a) Directors' remuneration

	Directors' fees		Salaries and bonus		Retirement scheme contribution		Employee share option benefits		Total	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Executive Directors:										
Dr. Raymond Chu	**–**	–	**31,954**	31,589	**12**	12	**866**	4,452	**32,832**	36,053
Anita Chau	**–**	–	**7,788**	5,897	**12**	12	**494**	2,717	**8,294**	8,626
Dato' Lee	**–**	35	**5,967**	2,814	**–**	–	**270**	1,304	**6,237**	4,153
Lawrence Ying	**–**	–	**996**	1,492	**12**	12	**270**	1,798	**1,278**	3,302
Brian Lam[1]	**–**	–	**–**	556	**–**	4	**–**	–	**–**	560
	–	35	**46,705**	42,348	**36**	40	**1,900**	10,271	**48,641**	52,694
Independent non-executive Directors:										
Bond Liu	**240**	210	**–**	140	**–**	–	**–**	–	**240**	350
General Dato' Seri Mohd Azumi	**240**	210	**–**	140	**–**	–	**–**	247	**240**	597
Jonathan Michael Caplan QC[3]	**172**	–	**–**	–	**–**	–	**–**	–	**172**	–
Sonny Li[4]	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Stephen Lai[2]	**270**	360	**–**	140	**–**	–	**–**	247	**270**	747
Edric Arthur Ackland-Snow[2]	**381**	344	**–**	140	**–**	–	**–**	–	**381**	484
	1,303	1,124	**–**	560	**–**	–	**–**	494	**1,303**	2,178
	1,303	1,159	**46,705**	42,908	**36**	40	**1,900**	10,765	**49,944**	54,872

Notes:

1 Resigned on 2 May 2007
2 Resigned on 10 September 2008
3 Appointed on 23 July 2008
4 Appointed on 19 January 2009

9. Staff Costs and the Five Highest Paid Individuals (Continued)

(b) Key management personnel

Remuneration for key management personnel, including directors' remuneration, were as follows:

	2008 **HK$'000**	2007 HK$'000
Salaries and bonus	**51,051**	50,808
Retirement scheme contribution	**60**	64
Employee share option benefits	**2,374**	14,365
	53,485	65,237

(c) Employee

Staff costs, excluding the remuneration for key management personnel and directors' remuneration, were as follows:

	2008 **HK$'000**	2007 HK$'000
Wages, salaries and bonus	**45,309**	29,852
Retirement scheme contribution	**4,669**	3,435
Welfare	**3,911**	2,191
Employee share option benefits	**4,161**	10,561
	58,050	46,039

9. Staff Costs and the Five Highest Paid Individuals (Continued)

(d) Five highest paid individuals

The five highest paid individuals of the Group include 4 (2007: 5) Directors of the Company.

The remuneration paid to the five highest paid individuals of the Group during the year was as follows:

	2008 HK$'000	2007 HK$'000
Salaries and bonus	**47,533**	42,327
Retirement scheme contribution	**48**	36
Employee share option benefits	**2,020**	10,518
	49,601	52,881

The number of the five highest paid individuals whose remuneration fell within the following bands are as follows:

	2008	2007
Nil–HK$1,000,000	**1**	1
HK$1,000,001–HK$2,000,000	**1**	—
HK$2,000,001–HK$3,000,000	**—**	—
HK$3,000,001–HK$4,000,000	**—**	1
HK$4,000,001–HK$5,000,000	**—**	1
HK$5,000,001–HK$10,000,000	**2**	1
HK$10,000,001–HK$20,000,000	**—**	—
HK$20,000,001 or above	**1**	1
	5	5

During the year, no emoluments were paid by the Group to the Directors, or any of the independent non-executive directors, highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office nor has any Director waived or agreed to waive any emoluments.

10. Finance Costs

	2008 HK$'000	2007 HK$'000
Bank charges	**1,212**	915
Interests on interest-bearing borrowings and bank overdrafts wholly repayable within five years	**4,023**	1,314
	5,235	2,229

11. Income Tax Expense

	2008 HK$'000	2007 HK$'000
Current tax:		
— Hong Kong	**—**	—
— Malaysia	**1,547**	1,433
Under/(over) provision of tax in the prior years	**8**	(1,255)
Provision for deferred tax liabilities	**719**	3,363
	2,274	3,541

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the year.

Malaysian Income Tax is calculated at the statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the year. The corporate tax rate for companies with paid-up capital of Malaysian Ringgit 2.5 million and below at the beginning of the basis period for the years of assessment are as follows: The first Malaysian Ringgit 500,000 chargeable income is charged at the rate of 20% for the year and the amount of chargeable income exceeding Malaysian Ringgit 500,000 is charged at the rate of 26% (2007: 27%) for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

11. Income Tax Expense (Continued)

The tax charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2008 HK$'000	2007 HK$'000
Profit before taxation	**613,376**	456,207
Tax at domestic tax rates applicable to profits of taxable entities in the countries concerned	**64,093**	54,859
Tax effect of recognised temporary difference	**719**	3,363
Revenue not subject to tax	**(128,540)**	(67,372)
Under/(over) provision in respect of prior years	**8**	(1,255)
Expenses not deductible for taxation purposes	**58,900**	15,898
Depreciation in the year in excess of capital allowances	**—**	(1,952)
Tax effect of estimated tax losses not recognised	**7,094**	—
	2,274	3,541

12. Earnings Per Share

The calculation of basic earnings per share for the year is based on the Group's profit attributable to equity holders of the Company of HK$622,268,000 (2007: HK$452,528,000) and the weighted average number of ordinary shares in issue during the year of 231,750,225 (2007: 222,729,622).

Diluted earnings per share presented as share options were exercised after their respective vesting period. The calculation of diluted earnings per share for the year is based on the Group's profit attributable to equity holders of the Company of HK$622,268,000 (2007: HK$452,528,000) and the weighted average number of ordinary shares for the purpose of diluted earnings per share during the year of 232,623,157 (2007: 224,040,308).

12. Earnings Per Share (Continued)

The weighted average number of ordinary shares for the purpose of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	2008	2007
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**231,750,225**	222,729,622
Shares deemed to be issued for no consideration in respect of share options	**872,932**	1,310,686
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**232,623,157**	224,040,308

13. Dividends

The cash dividends paid during the year ended 31 December 2008 was HK$19,207,000 (0.5 pence per share) in respect of the final dividends declared for the year ended 31 December 2007. The cash dividends paid during the year ended 31 December 2007 was HK$21,862,000 (0.6 pence per share) in respect of the final dividends declared for the year ended 31 December 2006.

A final dividend in respect of the year ended 31 December 2008 of HK$0.165 per share or 1.5 pence per share (based on an exchange rate of approximately £1 to HK$11.0), amounting to a total dividend of HK$38,399,625 was declared by the Board on 11 March 2009 conditional on shareholders resolving at the Annual General Meeting that the dividend be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment. Subject to that resolution being passed, the dividend will be paid to shareholders whose names appear on the Company's register of members at the close of business on Friday, 3 April 2009.

The Scrip Dividend Scheme is also conditional upon the Listing Committee of the HKSE granting the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme. Application will also be made to the LSE for the new shares to be issued to be admitted to trading on AIM.

14. Property, Plant and Equipment

The Group

	Freehold land HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Showroom equipment HK$'000	Mould HK$'000	Motor vehicles HK$'000	Development tools HK$'000	Construction-in-progress HK$'000	Total HK$'000
Cost										
As at 1 January 2007	3,760	9,369	9,107	29,885	2,524	2,000	4,599	65,244	–	126,488
Additions	–	–	6,944	5,546	373	–	2,094	673	66,696	82,326
Disposals	–	–	(154)	(48)	(35)	–	(1,425)	–	–	(1,662)
Written off	–	–	(23)	(1,286)	–	–	–	–	–	(1,309)
Exchange alignment	248	618	162	1,521	–	–	252	–	–	2,801
As at 31 December 2007 and 1 January 2008	4,008	9,987	16,036	35,618	2,862	2,000	5,520	65,917	66,696	208,644
Additions	–	–	726	9,682	484	–	933	–	44,884	56,709
Written off	–	–	–	(118)	(15)	–	–	–	–	(133)
Disposals	–	–	–	(329)	–	–	–	–	–	(329)
Exchange alignment	(187)	(465)	149	(1,049)	–	–	(130)	–	(3,102)	(4,784)
As at 31 December 2008	3,821	9,522	16,911	43,804	3,331	2,000	6,323	65,917	108,478	260,107
Accumulated depreciation										
As at 1 January 2007	–	1,123	1,300	4,702	1,119	967	1,973	12,973	–	24,157
Charge for the year	–	200	2,708	5,400	550	400	860	13,094	–	23,212
Disposals	–	–	–	(38)	(12)	–	(848)	–	–	(898)
Written off	–	–	(13)	(893)	–	–	–	–	–	(906)
Exchange alignment	–	74	7	250	–	–	140	–	–	471
As at 31 December 2007 and 1 January 2008	–	1,397	4,002	9,421	1,657	1,367	2,125	26,067	–	46,036
Charge for the year	–	192	4,491	6,827	792	400	939	13,183	–	26,824
Written off	–	–	–	(54)	–	–	–	–	–	(54)
Disposals	–	–	–	(76)	–	–	–	–	–	(76)
Exchange alignment	–	(67)	72	(303)	–	–	(61)	–	–	(359)
As at 31 December 2008	–	1,522	8,565	15,815	2,449	1,767	3,003	39,250	–	72,371
Net book value										
As at 31 December 2008	**3,821**	**8,000**	**8,346**	**27,989**	**882**	**233**	**3,320**	**26,667**	**108,478**	**187,736**
As at 31 December 2007	4,008	8,590	12,034	26,197	1,205	633	3,395	39,850	66,696	162,608

The Group's freehold land and buildings were situated in Malaysia.

14. Property, Plant and Equipment (Continued)

The Group's freehold land and buildings with a net book value of approximately HK$11,821,000 (2007: HK$12,598,000) were pledged to secure the interest-bearing borrowings of the Group as at 31 December 2008.

As at 31 December 2008, the net book value of the Group's motor vehicles included an amount of approximately HK$1,838,000 (2007: HK$2,432,000) in respect of assets held under finance leases.

The Company

	Furniture, fixtures and equipment HK$'000
Cost	
As at 1 January 2007 and 31 December 2007	32
Additions	—
As at 31 December 2008	32
Accumulated depreciation	
As at 1 January 2007	9
Charge for the year	7
As at 31 December 2007 and 1 January 2008	16
Charge for the year	6
As at 31 December 2008	22
Net book value	
As at 31 December 2008	**10**
As at 31 December 2007	16

15. Prepaid Lease Payments

The Group

	2008 HK$'000	2007 HK$'000
Cost		
As at the beginning of the year	**18,725**	—
Additions	**—**	18,725
Exchange alignment	**(418)**	—
As at the end of the year	**18,307**	18,725
Accumulated amortisation		
As at the beginning of the year	**158**	—
Amortisation during the year	**185**	158
Exchange alignment	**(10)**	—
As at the end of the year	**333**	158
Carrying value		
As at the end of the year	**17,974**	18,567

	2008 HK$'000	2007 HK$'000
Land outside Hong Kong held on:		
— Leases of within 1 year	**183**	189
— Leases of later than 1 year and not later than 5 years	**734**	756
— Leases of later than 5 years	**17,057**	17,622
	17,974	18,567
Less: current portion	**(183)**	(189)
	17,791	18,378

The prepaid lease payments represented a land in Malaysia with a lease period of 99 years.

16. Goodwill

The Group

	2008 HK$'000	2007 HK$'000
Cost		
As at the beginning of the year	**193,168**	181,253
Additional amounts recognised from business combinations occurred during the year	**—**	—
Disposal of a subsidiary	**(13,812)**	—
Exchange alignment	**(5,786)**	11,915
As at the end of the year	**173,570**	193,168
Accumulated impairment losses		
As at the beginning of the year	**13,812**	—
Impairment loss recognised during the year	**—**	13,812
Disposal of a subsidiary	**(13,812)**	—
As at the end of the year	**—**	13,812
Carrying amount		
As at the end of the year	**173,570**	179,356

The Group tests goodwill for impairment at each balance sheet date, or more frequently if there are indications that goodwill might be impaired.

The carrying amount of goodwill allocated to cash-generating units ("CGUs") that are significant individually or in aggregate is as follows:

	2008 HK$'000	2007 HK$'000
Hyperstore distribution of IT related products and security equipments	**36,923**	37,877
Computer accessories	**77,801**	79,763
Software development	**58,846**	61,716
	173,570	179,356

16. Goodwill (Continued)

The Group (Continued)

The Directors of the Company had assessed the recoverable amount of goodwill as at 31 December 2007 and 31 December 2008 by reference to the valuations as at 31 December 2007 and 31 December 2008 respectively performed by Vigers Appraisal & Consulting Limited, an independent firm of qualified valuers.

The recoverable amounts of the CGUs are determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates and growth rates. The valuers estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risk specific to the CGUs. The growth rates are based on industry growth forecasts.

The key assumptions used for value-in-use calculations are as follows:

	Hyperstore distribution	Computer accessories	Software development
As at 31 December 2008			
Growth rate	4.00–10.00%	4.00–10.00%	4.00–38.00%
Discount rate	13.02%	15.02%	15.02%/16.02%
As at 31 December 2007			
Growth rate	20.00%	20.00%	20.00%
Discount rate	12.15%	15.46%	15.46%/17.14%

For the year ended 31 December 2007, an impairment loss on goodwill of approximately HK$13,812,000 was made. The Directors of the Company performed an impairment test for the goodwill and found that the recoverable amount of the respective CGU was substantially lower than its carrying amount. Therefore full provision had been made for impairment of the goodwill.

There was no impairment of goodwill recognised during the year ended 31 December 2008.

17. Intangible Assets

The Group

The movement of intangible assets during the year was as follows:

	Logo HK$'000	Product development and design HK$'000	Contract rights HK$'000	Total HK$'000
Cost				
As at 1 January 2007	148	—	—	148
Additions	—	73,077	—	73,077
Additions through acquisition of a subsidiary	—	—	185,000	185,000
As at 31 December 2007 and 1 January 2008	148	73,077	185,000	258,225
Additions	—	102,145	—	102,145
Additions through acquisition of a subsidiary	—	—	1,014,321	1,014,321
Exchange alignment	—	(942)	—	(942)
As at 31 December 2008	148	174,280	1,199,321	1,373,749
Accumulated amortisation and impairment				
As at 1 January 2007	118	—	—	118
Amortisation for the year	30	—	1,543	1,573
As at 31 December 2007 and 1 January 2008	148	—	1,543	1,691
Amortisation for the year	—	10,248	86,121	96,369
As at 31 December 2008	148	10,248	87,664	98,060
Carrying amounts				
As at 31 December 2008	**—**	**164,032**	**1,111,657**	**1,275,689**
As at 31 December 2007	—	73,077	183,457	256,534

Amortisation charge of HK$96,369,000 (2007: HK$1,573,000) for the year is included in administrative expenses in the consolidated income statement.

17. Intangible Assets (Continued)

The Group (Continued)

The intangible assets "logo", "product development and design" and "contract rights" as above amortised over its estimated useful lives, which are 5, 5 and 10 years respectively and were tested for impairment. There was no impairment loss recognised during the year (2007: Nil).

18. Available-for-sale Financial Assets

The Group

	2008 HK$'000	2007 HK$'000
Unlisted equity securities incorporated outside Hong Kong, at cost less accumulated impairment losses	–	120,000

As at 31 December 2007, the available-for-sale financial assets are stated at cost less any impairment losses, rather than at fair value. The Directors of the Company considered that the unlisted equity securities do not have a quoted market price in an active market and which fair value cannot be reliably measured because (i) the variability in the range of reasonable fair value estimates is significant for that investment; and (ii) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating the fair value. Accordingly, such unlisted equity investments are stated at cost less any impairment losses.

As at 31 December 2007, the Group held 19.9% of the issued share capital of Vast Base, a company incorporated in the British Virgin Islands which involved in provision of intelligent stadium security solutions. The Directors of the Company do not consider that the Group is able to exert significant influence on Vast Base as the other shareholders significantly control the composition of the board of Directors of Vast Base.

The Directors of the Company assessed the impairment of the available-for-sale financial assets by reference to an independent valuation performed by Vigers Appraisal & Consulting Limited. The valuation, which conforms to International Valuation Standards, was determined by reference to discounted cash flows using a growth rate and discount rate of 10% and 12.9% respectively. The effective date of the valuation is 31 December 2007.

During the year ended 31 December 2008, the Group had further acquired 60.1% of the issued share capital of Vast Base and holds 80% of the issued share capital of Vast Base as at 31 December 2008. Vast Base was thus classified as a subsidiary of the Group.

19. Investments in Subsidiaries

The Company

	2008 HK$'000	2007 HK$'000
Unlisted shares, at cost	**9,817**	9,816

The amounts due from/to subsidiaries were unsecured, interest-free and had no fixed terms of repayment terms.

The following table lists the subsidiaries of the Company which, in the opinion of the Directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors of the Company, result in particulars of excessive length.

Name	**Place and date of incorporation or establishment**	**Ordinary share/ registered capital**	**Percentage of equity attributable to the Company**	**Principal activities**
Directly held				
RCG Holdings Limited	British Virgin Islands ("BVI") 5 January 2005	US$1	100%	Investment holding
Indirectly held				
RCG Hong Kong Holdings Limited	BVI 20 October 1999	US$200	100%	Investment holding
RCG International Holdings Limited	BVI 18 April 2005	US$1,000	100%	Investment holding
Sharp Asia International Limited	BVI 18 April 2005	US$1,000	100%	Investment holding
RCG China Holdings Limited	BVI 8 June 2006	US$1	100%	Investment holding
Skycomp Technology Sdn. Bhd.	Malaysia 14 September 1999	RM100,000	100%	Hyperstore distribution of IT related products and security equipments

19. Investments in Subsidiaries (Continued)

Name	Place and date of incorporation or establishment	Ordinary share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held (Continued)				
UCH Technology Sdn. Bhd.	Malaysia 7 May 1991	RM5,000,000	100%	Manufacturing, assembling and distribution of IT equipments
E-CTAsia Technology Sdn. Bhd.	Malaysia 25 October 2001	RM60,000	100%	Manufacturing, assembling and distribution of IT equipments
RCG Malaysia Sdn. Bhd.	Malaysia 7 December 2006	RM2	100%	Investment holding
Virtual Storage Center Sdn. Bhd.	Malaysia 13 April 2004	RM10,000	100%	Software development
Towards Soft Technology Sdn. Bhd.	Malaysia 23 June 2005	RM100,000	100%	Software development
RCG (Macao Commercial Offshore) Company Limited	Macau 30 September 2004	MOP100,000	100%	Trading of biometric products
RCG Corporation Limited	Hong Kong 26 November 1999	HK$2	100%	Hardware and software development
RCG (Hong Kong) Limited	Hong Kong 16 June 2006	HK$1	100%	Biometric and security solutions
RCG (M.E.) Fzco	United Arab Emirates 19 August 2006	AED500,000	100%	Trading of biometric security products

19. Investments in Subsidiaries (Continued)

Name	Place and date of incorporation or establishment	Ordinary share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held (Continued)				
RCG Land Sdn. Bhd.	Malaysia 12 December 2006	RM2	100%	Land and property holding
Chance Best Technology Limited	BVI 11 July 2007	US$205	100%	Intelligent stadium security solutions
*RCG (Shenzhen) Limited (宏霸數碼(深圳)有限公司)	PRC 8 August 2005	HK$6,000,000	100%	Software and hardware development and provision of consultancy services
*RCG China Limited (宏霸數碼科技(北京)有限公司)	PRC 14 September 2006	RMB27,505,570	100%	Software and hardware development and provision of consultancy services
Vast Base Technology Limited	BVI 30 July 2007	US$10,000	80%	Intelligent stadium security solutions

* Wholly-owned foreign enterprises in the PRC.

20. Inventories

	The Group	
	2008 **HK$'000**	2007 HK$'000
Raw materials	**100,537**	60,225
Finished goods and goods for sale	**194,688**	86,438
	295,225	146,663
Less: Provision for obsolescent inventories	**(1,191)**	(1,718)
	294,034	144,945

All inventories were carried at the lower of cost and net realisable value.

21. Trade Receivables

The aging analysis of the trade receivables is as follows:

	The Group	
	2008 **HK$'000**	2007 HK$'000
0–30 days	**149,074**	149,418
31–60 days	**156,454**	127,013
61–90 days	**131,061**	111,041
Over 90 days	**66,143**	9,253
	502,732	396,725
Impairment of trade receivables	**(2,451)**	(1,447)
	500,281	395,278

The Group has no significant concentrations of credit risk, with exposure spreads over a large number of customers.

The trade receivables are generally on 30–90 days credit terms. The Directors of the Company consider that the carrying amounts of trade receivables approximate to their fair values.

21. Trade Receivables (Continued)

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors of the Company believe that there is no further credit provision required in excess of the impairment of trade receivables.

Past due but not impaired

Included in the Group's trade receivables balances are debtors with carrying amounts of HK$63,692,000 (2007: HK$7,806,000) which were past due for which the Group has not provided as there had not been a significant change in credit quality and the amounts were still considered recoverable. The Group does not hold any collateral over these balances.

	The Group	
	2008 **HK$'000**	2007 HK$'000
Over 90 days	**63,692**	7,806

Impaired trade receivables

Impaired trade receivables with a balance of HK$2,451,000 (2007: HK$1,447,000) have been placed under liquidation. The impairments recognised represent the differences between the carrying amounts of these trade receivables and the present values of the expected liquidation proceeds. The Group does not hold any collateral over these balances.

	The Group	
	2008 **HK$'000**	2007 HK$'000
Over 90 days	**2,451**	1,447

22. Deposits, Prepayments and Other Receivables

	The Group		The Company	
	2008 **HK$'000**	2007 HK$'000	**2008** **HK$'000**	2007 HK$'000
Investment deposit	**–**	23,400	**–**	23,400
Trade deposits	**393,683**	204,445	**–**	—
Prepayments and other deposits	**11,150**	8,580	**504**	452
Other receivables	**2,444**	255	**–**	—
	407,277	236,680	**504**	23,852

The Directors of the Company consider that the carrying amounts of deposits, prepayments and other receivables approximate to their fair values.

23. Cash at Bank and in Hand

	The Group		The Company	
	2008 **HK$'000**	2007 HK$'000	**2008** **HK$'000**	2007 HK$'000
Deposits with banks and other financial institutions	**264,734**	424,906	**28**	26,083
Cash at bank and in hand	**55,585**	226,384	**14,594**	86,569
Cash and cash equivalents	**320,319**	651,290	**14,622**	112,652

23. Cash at Bank and in Hand (Continued)

Included in cash at bank and in hand are the following amounts denominated in a currency other than the functional currency of the Company to which they relate:

	The Group		The Company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
British Pounds	**193,922**	218,904	**247**	34,219
Malaysian Ringgit	**43,682**	244,633	**—**	—
US Dollars	**75,607**	104,178	**13,888**	50,339
Renminbi	**1,809**	6,162	**115**	—
United Arab Emirates Dirham	**92**	759	**—**	—
Thai Baht	**175**	65	**—**	—
Singaporean Dollars	**20**	—	**20**	—
South African Rand	**—**	64	**—**	—

24. Share Capital

	2008 HK$'000	2007 HK$'000
Authorised:		
9,000,000,000 ordinary shares of HK$0.01 each	**90,000**	90,000
Alloted, called up and fully paid:		
At beginning of the year		
— Ordinary shares of HK$0.01 each	**2,323**	1,949
Exercise of share options	**—**	41
Placing of shares	**—**	333
At end of the year	**2,323**	2,323

The following movements in the Company's authorised and issued share capital took place during the period from 1 January 2007 to 31 December 2008:

(i) By a resolution dated 29 March 2007, the Company resolved to issue a total of 4,070,000 shares of HK$0.01 each to certain option holders following the exercise of 4,070,000 options from the option holders at the exercise price of 10 pence each for a total cash consideration, before related expenses, of £407,000.

(ii) By a resolution dated 29 March 2007, the Company resolved to issue a total of 33,333,333 shares of HK$0.01 each to the public at a price of 131 pence each for a total consideration, before related expenses, of £43,700,000.

24. Share Capital (Continued)

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

	Notes	Number of shares issued	Par value HK$'000
Issued share capital as at 1 January 2007		194,864,344	1,949
Exercise of share options	(a)	4,070,000	41
New issue and placing of shares to the public	(b)	33,333,333	333
Issued share capital as at 31 December 2007, 1 January 2008 and 31 December 2008		**232,267,677**	**2,323**

25. Reserves

The Company

	Share premium HK$'000	Treasury shares HK$'000	Employee share-based compensation reserve HK$'000	Capital reserve HK$'000	Retained earnings HK$'000	Proposed final dividends HK'000	Total HK$'000
As at 1 January 2007	588,995	—	9,756	8,877	28,751	17,813	654,192
Proceeds from placing of shares	669,345	—	—	—	—	—	669,345
Cost of placing of shares	(38,281)	—	—	—	—	—	(38,281)
Exercise of share options	7,989	—	(1,788)	—	—	—	6,201
Cost of share-based payment	—	—	24,926	—	—	—	24,926
Dividends paid	—	—	—	—	(4,049)	(17,813)	(21,862)
Acquisition of treasury shares	—	(847)	—	—	—	—	(847)
Profit for the year	—	—	—	—	60,617	—	60,617
Proposed final dividends	—	—	—	—	(18,079)	18,079	—
As at 31 December 2007 and 1 January 2008	1,228,048	(847)	32,894	8,877	67,240	18,079	1,354,291
Cost of share-based payment	—	—	6,535	—	—	—	6,535
Lapse of share options	—	—	(2,568)	—	2,568	—	—
Dividends paid	—	—	—	—	(1,128)	(18,079)	(19,207)
Acquisition of treasury shares	—	(5,649)	—	—	—	—	(5,649)
Loss for the year	—	—	—	—	(28,658)	—	(28,658)
Proposed final dividends	—	—	—	—	(38,400)	38,400	—
As at 31 December 2008	**1,228,048**	**(6,496)**	**36,861**	**8,877**	**1,622**	**38,400**	**1,307,312**

25. Reserves (Continued)

The Company (Continued)

Treasury shares

During the year ended 31 December 2008, the Company had acquired on the open markets 587,677 shares (2007: 70,000 shares) of its common stock at prices ranging from 55.58 pence to 72.35 pence (2007: from 73 pence to 76.5 pence) per share for a total cost of approximately HK$5,649,000 (2007: HK$847,000).

All treasury shares have been approved to be cancelled on 2 February 2009.

26. Interest-bearing Borrowings

	The Group	
	2008 **HK$'000**	2007 HK$'000
Total bank borrowings, secured, repayable within one year	**191,034**	32,312

The bank borrowings bear interest at rates ranging from 2.05% to 8.5% (2007: 2.65% to 5.77%) per annum.

The Malaysian Ringgit bank borrowings of approximately HK$31,360,000 (2007: HK$32,312,000) are secured by the Group's freehold land and buildings in Malaysia with carrying values of approximately HK$11,821,000 (2007: HK$12,598,000).

The Hong Kong Dollars bank borrowings of HK$159,674,000 are secured by bank deposits of approximately HK$201,392,000 as at 31 December 2008.

The Directors of the Company consider that the carrying amounts of the bank borrowings approximate to their fair values.

27. Obligations Under Finance Leases

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Amounts payable under finance leases:				
Within one year	**689**	636	**601**	550
In the second to fifth years, inclusive	**761**	1,006	**649**	883
	1,450	1,642	**1,250**	1,433
Less: Future finance charges	**(200)**	(209)	**—**	—
Present value of finance leases	**1,250**	1,433	**1,250**	1,433
Less: Amount due for settlement within one year			**(601)**	(550)
Amount due for settlement after one year			**649**	883

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 4 years. Interest rates are charged at commercial rates and fixed at the respective contract dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

28. Deferred Tax Liabilities

The Group

The following is the major deferred tax liabilities recognised by the Group and movements thereon:

	Accelerated tax depreciation HK$'000	**Total** HK$'000
As at 1 January 2007	999	999
Charge to income statement	3,363	3,363
As at 31 December 2007 and 1 January 2008	4,362	4,362
Charge to income statement	719	719
Exchange alignment	(184)	(184)
As at 31 December 2008	**4,897**	**4,897**

29. Trade Payables

The aging analysis of the trade payables is as follows:

	The Group	
	2008 HK$'000	2007 HK$'000
0–30 days	**52,267**	7,656
31–60 days	**12,434**	3,267
61–90 days	**3,018**	2,026
Over 90 days	**5,774**	5,893
	73,493	18,842

Trade payables are generally settled on 0–60 days terms. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The Directors of the Company consider that the carrying amounts of trade payables approximate to their fair values.

30. Accruals and Other Payables

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accruals	**8,665**	5,873	**2,000**	3,520
Financial guarantee provision	**—**	—	**24**	23
Other payables	**15,803**	5,105	**5,972**	—
	24,468	10,978	**7,996**	3,543

The Directors of the Company consider that the carrying amounts of accruals and other payables approximate to their fair values.

31. Disposals of Subsidiaries

The Group

During the year, the Group disposed of its entire interests in two subsidiaries, Scanart Solutions Sdn. Bhd. and Huge Wealth Technology Development Limited with interests of 100% and 85% respectively for a total consideration of RM2 and HK$85,000 respectively.

31. Disposals of Subsidiaries (Continued)

The Group (Continued)

The net assets of the subsidiaries at the date of disposals were as follows:

	2008 HK$'000	2007 HK$'000
Net assets disposed of:		
Cash at bank and in hand	67	—
	67	—
Less: minority interests	(10)	—
Gain on disposals of subsidiaries	28	—
	85	—
Satisfied by:		
Cash consideration	85	—
Net cash inflow arising on disposals:		
— Cash consideration received	85	—
— Cash and cash equivalent disposed of	(67)	—
	18	—

32. Acquisitions of Subsidiaries

Acquisitions during the year ended 31 December 2008

During the year ended 31 December 2008, the Group had subscribed 20 new shares of Chance Best for a total consideration of HK$20 million and acquired the remaining shares of Chance Best for a total consideration of HK$27.8 million. After the subscription and the acquisition of shares, Chance Best becomes a wholly-owned subsidiary of the Group.

During the year ended 31 December 2008, the Group had acquired a further 40.1% equity interests in Vast Base at a consideration of HK$410.2 million and a further 20% equity interests in Vast Base at a consideration of HK$204.6 million. Following the completion of the acquisitions, the Group's shareholding in Vast Base has increased from 19.9% to 80%. Vast Base becomes a subsidiary of the Group.

(a) The carrying amounts and fair value of the assets and liabilities acquired in the transaction and the goodwill arising are as follows:

	Acquiree's carrying amounts before combination HK$'000	**Fair value adjustments** HK$'000	**Fair value** HK$'000
Intangible assets	—	1,014,321	1,014,321
Trade receivables	21,907	—	21,907
Trade and other payables	(13,228)	—	(13,228)
Revaluation reserve	—	(83,577)	(83,577)
Post-acquisition minority interests	—	(409,200)	(409,200)
Net assets acquired			530,223
Goodwill			—
Total consideration			530,223
Satisfied by:			
— Cash			410,223
— Available-for-sale financial assets			120,000
			530,223
Net cash outflow arising on acquisition:			
— Cash consideration paid			410,223

32. Acquisitions of Subsidiaries (Continued)

Acquisitions during the year ended 31 December 2008 (Continued)

(b) If the acquisitions had been completed on 1 January 2008, total Group's turnover for the year would have been HK$2,011,657,000, and profit for the year would have been HK$618,801,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of the Group that actually would have been achieved had the acquisitions been completed on 1 January 2008, nor is it intended to be a projection of future results.

(c) The subsidiary acquired during the year ended 31 December 2008 contributed approximately HK$124,545,000 to the Group's turnover and profit after tax of approximately HK$26,846,000.

Acquisitions during the year ended 31 December 2007

During the year ended 31 December 2007, the Group had successfully completed the acquisition of 83.78% equity interests in Chance Best, for a total consideration of HK$155 million in cash.

(a) The carrying amounts and fair value of the assets and liabilities acquired in the transaction and the goodwill arising are as follows:

	Acquiree's carrying amounts before combination HK$'000	**Fair value adjustments** HK$'000	**Fair value** HK$'000
Intangible assets	—	185,000	185,000
Cash at bank and in hand	2	—	2
Post-acquisition minority interests	—	(30,002)	(30,002)
Net assets acquired			155,000
Goodwill			—
Total consideration			155,000
Satisfied by:			
— Cash			155,000
Net cash outflow arising on acquisition:			
— Cash consideration paid			155,000
— Cash and cash equivalents acquired			(2)
			154,998

32. Acquisitions of Subsidiaries (Continued)

Acquisitions during the year ended 31 December 2007 (Continued)

(b) Chance Best has not contributed any turnover nor profit to the Group during the year ended 31 December 2007.

33. Financial Instruments

The Group's management monitors and manages the financial risks relating to the operations of the Group through its analysis on the exposures by degree and magnitude of risks. The risks relating to the operations of the Group are mainly credit risk, market risk and liquidity risk.

(a) Financial risk management objective and policies

Credit risk

The carrying amounts of trade receivables included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to the Group's financial assets. No other financial assets carry a significant exposure to credit risk. The Group has no significant concentration of credit risk due to the Group's large customer base.

The Group performs ongoing credit evaluation of its customers' financial condition and requires no collateral from its customers. The allowance for doubtful debts is based upon a review of the expected collectability of all trade receivables.

33. Financial Instruments (Continued)

(a) Financial risk management objective and policies (Continued)

Liquidity risk

The following tables detail the Group's remaining contractual maturity for its non-derivate financial liabilities as at 31 December 2007 and 31 December 2008. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Up to 1 month HK$'000	1 month to 3 months HK$'000	3 months to 1 year HK$'000	1 year to 5 years HK$'000	Total HK$'000
As at 31 December 2008					
Trade payables	**5,774**	**67,719**	**—**	**—**	**73,493**
Accruals and other payables	**—**	**24,468**	**—**	**—**	**24,468**
Interest-bearing borrowings	**—**	**31,360**	**159,674**	**—**	**191,034**
	5,774	**123,547**	**159,674**	**—**	**288,995**
As at 31 December 2007					
Trade payables	5,893	12,949	—	—	18,842
Accruals and other payables	—	10,978	—	—	10,978
Interest-bearing borrowings	—	32,312	—	—	32,312
	5,893	56,239	—	—	62,132

Foreign currency risk

Certain bank balances of the Group are denominated in British Pounds, Malaysian Ringgit, United States Dollars and Renminbi which is a currency other than the functional currency of the relevant group entities, which exposes the Group to foreign currency risk. The Group has not used any financial instruments to hedge against this currency risk. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following table details the Group's sensitivity to a 5% increase and decrease in Hong Kong Dollars against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at each balance sheet date for a 5% change in foreign currency exchange rates. The sensitivity analysis represents the bank balances and cash where the denomination of the bank balances and cash is in British Pounds, Malaysian Ringgit, United States Dollars and Renminbi.

33. Financial Instruments (Continued)

(a) Financial risk management objective and policies (Continued)

Foreign currency risk (Continued)

The table below analyses the effect on the Group's exchange difference in the income statement arising from the cash in bank in the next year should the foreign currencies exchange rate be changed.

	2008 HK$'000	2007 HK$'000
Change of exchange difference		
Change of foreign currencies exchange rate by 5%:		
British Pounds	**9,696**	10,945
Malaysian Ringgit	**2,184**	12,232
US Dollars	**3,780**	5,209
Renminbi	**90**	308

Cash flow and fair value interest rate risk

The Group's interest rate risk mainly arises from interest-bearing borrowings and obligations under finance leases. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk during the year.

The table below analyses the effect on the Group's financial cost in the income statement arising from interest-bearing borrowings and obligations under finance leases should the interest rate be changed:

	2008 HK$'000	2007 HK$'000
Change of finance costs		
Change of interest rate by 0.5%	**961**	169

There has been no change to the Group's exposure to market risks or the manner in which it manages and measure the risks.

33. Financial Instruments (Continued)

(b) Fair value estimation

The fair value of available-for-sale financial assets that are not traded in an active market is determined by using valuation techniques such as estimated discounted cash flow.

The fair value of long-term borrowings for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest that is available to the Group for similar financial instruments.

The carrying value less impairment provision of trade and other receivables, trade and other payables and short-term borrowings approximate to their fair values due to their short maturities.

(c) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of debt and equity balance.

The capital structure of the Group consists of debts which include interest bearing borrowing, cash at bank and in hand and equity attributable to equity holders, comprising issued capital, reserves and retained profits respectively.

	2008 HK$'000	2007 HK$'000
Total liabilities	**295,779**	71,098
Less: Cash and cash equivalents (note 23)	**(320,319)**	(651,290)
Net debt	**(24,540)**	(580,192)
Total equity	**2,881,101**	2,094,160
Total capital	**2,856,561**	1,513,968

34. Major Non-cash Transactions

The Group granted share options to its Directors and employees as part of the staff remuneration. The share-based payment expenses recognised during the year was approximately HK$6,535,000 (2007: HK$24,926,000).

35. Financing Facilities

The Group

	2008 HK$'000	2007 HK$'000
Secured bank borrowings facilities:		
Amount utilised	**191,034**	32,312
Amount unutilised	**71,976**	39,952
	263,010	72,264

36. Contingent Liabilities

The Group

As at 31 December 2008, the Group had no contingent liabilities (2007: Nil).

The Company

The Company had acted as a guarantor of its subsidiaries to secure interest-bearing borrowings, which amounting to approximately HK$31,360,000 (2007: HK$32,312,000) as at 31 December 2008.

The carrying amount of the financial guarantee contract recognised in the balance was approximately HK$24,000 (2007: HK$23,000) as at 31 December 2008. The financial guarantee contract was eliminated on consolidation.

37. Commitments

As at the balance sheet date, the total future minimum lease payments on land and buildings under non-cancellable operating lease are payable as follows:

	Land and buildings	
	2008 HK$'000	2007 HK$'000
Within one year	**12,569**	11,272
Within two to five years	**6,559**	11,327
	19,128	22,599

37. Commitments (Continued)

As at 31 December 2008, the Group had a capital commitment of approximately HK$71,729,000 (2007: HK$107,920,000) in relation to the construction contract of property, plant and equipment of the Group which is located in Malaysia.

The Group had entered into product development contracts which give rise to a capital commitment of approximately HK$28,425,000 (2007: HK$16,570,000) as at 31 December 2008.

38. Employee Share-based Compensation Reserve

	2008 HK$'000	2007 HK$'000
As at the beginning of the year	**32,894**	9,756
Employee share option benefits	**6,535**	24,926
Lapse of share options	**(2,568)**	—
Exercise of share options	**—**	(1,788)
As at the end of the year	**36,861**	32,894

(a) As at 31 December 2004, pursuant to the several agreement (the "Option Agreement") under the share option scheme (the "Share Option Scheme") entered into on 28 June 2004, share options were granted by the Company to 3 executive directors, 3 directors of subsidiaries of the Company, the chief financial advisor of the Group for the purpose of recognising and acknowledging the contributions that had been made or may be made to the Group. An aggregate of 10,000,000 shares were granted at the nominal value of the shares. The granted options are exercisable between 28 June 2005 and 27 June 2009 at an exercise price of 10 pence and had a vesting period of 1 year.

During the year ended 31 December 2005, an extra 3,000,000 share options were granted to 14 staff (including 3 executive directors). Options were granted on 20 April 2005 which are exercisable between 20 April 2008 and 19 April 2015 at an exercise price of 34.5 pence and had a vesting period of 3 years.

During the year ended 31 December 2006, an extra 4,500,000 share options were granted to 7 staff (including 4 executive directors and 2 non-executive directors). Options were granted on 4 October 2006 which are exercisable between 4 October 2007 and 3 October 2016 at an exercise price of 64.25 pence and had a vesting period of 1 year.

During the year ended 31 December 2007, an extra 5,000,000 share options were granted to 53 staff (including 4 executive directors). Options were granted on 29 March 2007 which are exercisable between 29 March 2008 and 28 March 2017 at an exercise price of 136 pence and had a vesting period of 1 year.

All options are to be settled by equity. Staff who had resigned from the Group would forfeit their respective granted share options.

38. Employee Share-based Compensation Reserve (Continued)

(b) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2008 Weighted average exercise price per share	**2008** Number of options	2007 Weighted average exercise price per share	2007 Number of options
Outstanding as at the beginning of the year	**86.66p**	**11,722,500**	36.53p	10,970,000
Granted	**—**	**—**	136.00p	5,000,000
Exercised	**—**	**—**	10.00p	(4,070,000)
Lapsed/forfeited	**136p**	**(552,500)**	136.00p	(177,500)
Outstanding as at the end of the year	**84.22p**	**11,170,000**	86.66p	11,722,500

As at 31 December 2008, 11,170,000 (2007: 11,722,500) share options were outstanding with a weighted average exercise price of 84.22 pence (2007: 86.66 pence).

(c) As at 31 December 2008, 11,170,000 (2007: 4,100,000) share options with a weighted average exercise price of 84.22 pence (2007: 64.25 pence) were exercisable.

(d) As at 31 December 2008 and 31 December 2007, outstanding share options have the following remaining contractual lives and exercise prices:

Exercise price	**2008** Remaining contractual life	**2008** Number of options	2007 Remaining contractual life	2007 Number of options
34.50p	**6.30 years**	**2,800,000**	7.30 years	2,800,000
64.25p	**7.75 years**	**4,100,000**	8.75 years	4,100,000
136.00p	**8.25 years**	**4,270,000**	9.25 years	4,822,500
	7.58 years	**11,170,000**	8.61 years	11,722,500

38. Employee Share-based Compensation Reserve (Continued)

(e) According to the Black-Scholes Options Pricing Model, the values and adjusted values of the options granted are as follows:

Date of grant	28 June 2004	20 April 2005	4 October 2006	29 March 2007
Option value	HK$0.44	HK$2.67	HK$2.17	HK$4.80
Variables:				
— Exercise price	GBP 0.1	GBP 0.345	GBP 0.6425	GBP 1.36
— Closing price at date of grant	GBP 0.1	GBP 0.345	GBP 0.6425	GBP 1.35
— Risk free rate	4%	4%	5%	5%
— Expected volatility (note (i))	75.49%	75.49%	58.13%	60.49%
— Expiration of the option	27 June 2009	19 April 2015	3 October 2016	28 March 2017
— Option life (expected weighted average life)	1 year	3 years	1.75 years	1.59 years
— Expected ordinary dividends	Nil	Nil	10%	10%

(i) The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily prices over the one year immediately preceding the grant date.

(ii) The above calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the options and the historical volatility of the shares in AIM set out as above.

39. Related Party Transactions

Save as disclosed elsewhere in these financial statements, the Group had the following significant related party transactions:

(a) Compensation of key management personnel, including directors' remuneration:

	2008 HK$'000	2007 HK$'000
Salaries and bonus	**51,051**	50,808
Retirement scheme contribution	**60**	64
Employee share option benefits	**2,374**	14,365
	53,485	65,237

(b) As at 31 December 2008 and 2007, Dato' Lee, a Director of the Company, provided personal guarantees to a bank in respect of banking facilities granted to one of the subsidiaries of the Company. As at the date of this report, this personal guarantee has been released.

40. Subsequent Events

The Company's shares were admitted to trading on the Main Board of HKSE on 10 February 2009.

41. Authorisation for Issue of Financial Statements

The financial statements were approved and authorised for issue by the Board on 11 March 2009.

Dividends on the Ordinary Shares of the Company

The Company has been paying dividend since its shares were first traded on AIM of LSE since 2 July 2004. Shareholders should take note that historical dividend payment should not be taken as an indication for future dividend declaration.

Below table set forth the Company's historical dividend payment records:

	For the financial year ended 31 December				
	2004	2005	2006	2007	**2008**
Dividend per share	HK$0.009	£0.005	£0.006	£0.005	**£0.015/ HK$0.165**
Record Date	8-Jul-05	7-Jul-06	6-Jul-07	4-Jul-08	**3-Apr-09**
Settlement Date	8-Aug-05	7-Aug-06	6-Aug-07	4-Aug-08	**29-Apr-09**
Form of Paid out	Cash	Cash	Cash	Cash	**Scrip dividend**

Nature of Trading Market

The Company's ordinary shares are listed or admitted to trading on the Main Board of HKSE, AIM of LSE and PLUS. As of the latest practicable date prior to printing this report, the Company maintains its principal share register in Bermuda and overseas branch share registers in Hong Kong and Jersey (collectively, the "share registers").

As at 31 December 2008, there were a total of 1,307 holders on record of the Company's ordinary shares.

High and low mid-market closing prices on AIM and PLUS during the year

AIM

	High (£)	Low (£)	Month End (£)	Month Average (£)
2008				
January	0.8650	0.7375	0.7375	0.8086
February	0.8825	0.7100	0.7375	0.7871
March	0.7325	0.5450	0.6725	0.6486
April	0.7775	0.6575	0.7600	0.7006
May	0.7800	0.6750	0.6750	0.7291
June	0.6975	0.5875	0.6450	0.6523
July	0.6250	0.5350	0.5525	0.5648
August	0.6325	0.5350	0.6200	0.5860
September	0.8275	0.6400	0.6900	0.7178
October	0.6975	0.4000	0.4375	0.5103
November	0.4925	0.3300	0.3725	0.4013
December	0.3750	0.3175	0.3290	0.3175

PLUS

	High (£)	Low (£)	Month End (£)	Month Average (£)
2008				
January	0.8800	0.7400	0.7400	0.8162
February	0.8813	0.7138	0.7350	0.7915
March	0.7275	0.5425	0.6750	0.6467
April	0.7775	0.6650	0.7725	0.6998
May	0.7875	0.6863	0.6863	0.7325
June	0.6850	0.5800	0.6375	0.6495
July	0.6175	0.5275	0.5475	0.5609
August	0.6394	0.5475	0.6125	0.5837
September	0.8225	0.6500	0.6750	0.7182
October	0.6938	0.4025	0.4425	0.5084
November	0.4900	0.3350	0.3750	0.4036
December	0.3750	0.3100	0.3100	0.3279

Stock Symbols

The Company's ordinary shares trade under the following stock symbols as of the latest practicable date prior to printing this report:

AIM of LSE	RCG
PLUS	RCG
HKSE	802 (commenced dealing on 10 February 2009)

Shareholders Profile (as at 31 December 2008)

Shareholding (Shares)	Number of Shareholders
0–1,000	173
1,001–5,000	482
5,001–10,000	262
10,001–50,000	254
50,001–100,000	47
100,001–200,000	29
200,001–500,000	24
500,001 and above	36

AGM

The 2009 AGM will be held at 1507, AIA Tower, 251A–301, Avenia Comercial De Macau, Macau SAR on 21 April 2009 at 4:00 pm (HK time). The notice of 2009 AGM together with a circular in respect of the Annual General Meeting and proxy forms have been dispatched to shareholders on 18 March 2009. Copies of the same are also available on the Company's website (www.rcg.tv) under the investor relations section.

Shareholder Enquiries and Communications

Any enquiries relating to your shareholding, for example transfers of shares, change of name or address, lost share certificates or dividend cheques, should be sent to the Registrars:

Principal share registrar	Bermuda Butterfield Fund Services (Bermuda) Limited Rosebank Centre 11 Bermudiana Road Pembroke HK08 Bermuda
Jersey branch share registrar	Capita IRG (Offshore) Limited Victoria Chambers Liberation Square 1–3 The Esplande St Helier, Jersey Channel Islands
Hong Kong branch share registrar	Computershare Hong Kong Investor Services Limited Shops 1712–1716 17/F Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

Investor Relations

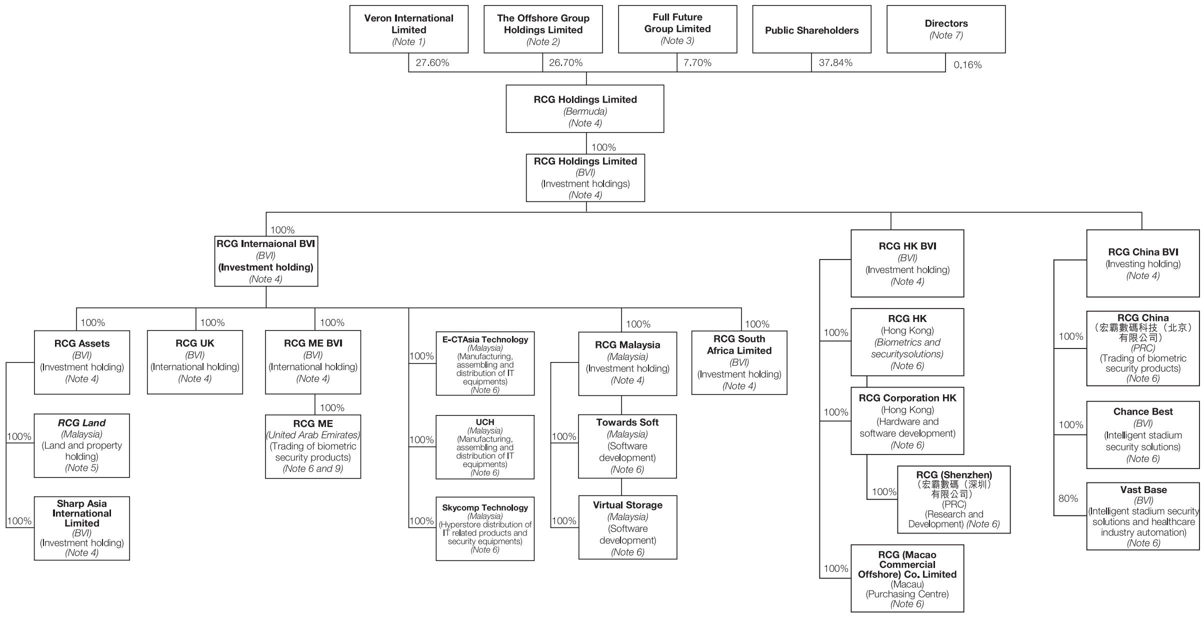
Enquiries relating to RCG's strategy or operations may be directed to:

Core C, Level 9, Cyberport III, 100 Cyberport Road, Hong Kong
ir@rcg.tv

Where more Information about RCG is Available

This *Annual Report 2008*, and other information on RCG, may be reviewed on RCG's website: www.rcg.tv

Organizational Structure as at 31 December 2008



Note 1: Veron International Limited is part of the estate of Nina Wang, deceased. Court proceedings have been commenced in Hong Kong between various parties (including Mr. Chan Chun Chuen and Chinachem Charitable Foundation Limited) about the entitlement to the assets in the estate, including possibly Veron International Limited and the Shares registered in its name. The court in Hong Kong has appointed Deloitte Touche Tohmatsu, an accountancy firm, as administrators of the estate pending a hearing on the dispute which is at present scheduled to begin on 11 May 2009. Until the dispute is resolved the beneficial ownership of Veron International Limited and the Company's Shares registered in its name will remain uncertain.

Note 2: The Offshore Group Holdings Limited is wholly-owned by Mr. Chan Chun Chuen.

Note 3: Full Future Group Limited is wholly-owned by Dr. Raymond Chu. Dr. Raymond Chu is also a Director of Full Future Group Limited.

Note 4: These companies are investment-holding companies.

Note 5: These companies are asset-holding companies.

Note 6: These companies are operating units.

Note 7: Shareholdings of the Directors and their respective associates (except Full Future Group Limited which shareholding has been separately disclosed). Share held by these Directors, namely Dr. Raymond Chu, Anita Chau, Lawrence Ying and Dato' Lee, and their respective associates (except Full Future Group Limited) representing approximately 0.13%, 0.01%, 0.01% and 0.01%, respectively of the issued share capital of the Company as at 31 December 2008.

Note 8: Nine inactive subsidiaries have been excluded from the above chart.

Note 9: As at 31 December 2008 and up to the printing of this report, the registered shareholders of RCG ME were two individuals, Mr. Chew Tean and Dato' Lee, who held these shares in trust for the benefit of RCG International BVI. The Company is in the process of arranging transfer of the relevant shares to two of its wholly-owned subsidiaries so that after the transfer, RCG ME will be directly held as to 60% by RCG Middle East BVI and 40% by RCG Malaysia.

Corporate Information

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business outside Hong Kong and Headquarters

1507 AIA Tower
251A–301 Avenida Comercial De Macau
Macau SAR
PRC

Principal Place of Business in Hong Kong

Core C Level 9
Cyberport III
100 Cyberport Road
Hong Kong

Website

www.rcg.tv

Principal Share Registrar

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HK08
Bermuda

Jersey Branch Share Registrar

Capita IRG (Offshore) Limited
Victoria Chambers
Liberation Square
1–3 The Esplande
St Helier, Jersey
Channel Islands

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17/F Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Compliance Advisor (for HKSE)

CLSA Equity Capital Markets Limited
18/F One Pacific Place
88 Queensway
Hong Kong

Nominated Advisor (for AIM)

Investec Bank (UK) Limited
2 Gresham Street
London EC2V 7QP
England

Stockbroker (for AIM)

Investec Bank (UK) Limited
2 Gresham Street
London EC2V 7QP
England

UK Legal Advisers

Travers Smith LLP
10 Snow Hill
London EC1A 2AL
England

Hong Kong Legal Advisers

Richards Butler in association with Reed Smith LLP
20/F Alexandra House
16–20 Chater Road
Central
Hong Kong

Bermuda Legal Advisers

Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central
Hong Kong

Registered Auditors

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

Registered Valuers

Vigers Appraisal & Consulting Limited
10/F The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong

Principal Bankers

HSBC
HSBC Main Building
1 Queen's Road Central
Hong Kong

CIMB Bank Berhad
5/F Menara
A&M Garden Business Centre
Jalan Istana 41000
Klang Selangor Darul Ehsan
Malaysia

UBS-AG
One Raffles Quay
#50-01 North Tower Singapore 048583

Definitions

"AGM"	the annual general meeting of the Company to be held on 21 April 2009 (Hong Kong time)
"AIM"	Alternative Investment Market, a market operated by the LSE
"Anita Chau"	Chau Pak Kun
"Audit Committee"	a committee of the Board formed to review and monitor the financial and legal affairs of the Company
"Board"	the board of Directors
"Bond Liu"	Liu Kwok Bond
"Bye-laws"	the bye-laws of the Company, as amended by special resolution of the Company on 16 October 2008
"Chance Best"	Chance Best Technology Limited, a company incorporated on 11 July 2007 in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
"Combined Code"	the code of best practice including the principles of good governance published in June 2006 by the UK Financial Reporting Council
"Company"	RCG Holdings Limited (formerly known as RC Group (Holdings) Limited), a company incorporated in Bermuda with limited liability
"Dato' Lee"	Dato' Lee Boon Han
"Director(s)"	the director(s) of the Company
"Dr. Raymond Chu"	Chu Wai Man Raymond
"E-CTAsia Technology"	E-CTAsia Technology Sdn Bhd, a company incorporated on 25 October 2001 in Malaysia with limited liability and an indirectly wholly-owned subsidiary of the Company
"Executive Committee"	a committee of the Board with responsibility for overseeing the management of the Group's business and development
"General Dato' Seri Mohd Azumi"	General Dato' Seri Mohd Azumi bin Mohamed
"Group" or "RCG"	the Company and its subsidiaries
"HKSE"	The Stock Exchange of Hong Kong Limited
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Latest practicable date"	11 March 2009
"Lawrence Ying"	Ying Kan Man

"LSE"	The London Stock Exchange plc
"Nomination Committee"	a committee of the Board with responsibility for identifying the need for new appointments to the Board, reviewing the Board's purpose and the general criteria and specific qualifications of candidates to join the Board
"PRC"	the People's Republic of China
"PLUS"	an equity stock exchange based in London, England, in the form of a quote-driven electronic trading platform
"Pounds" or "£"	Pounds sterling, the lawful currency of the UK
"R&D"	research and development
"RCG Corporation HK"	RCG Corporation Limited (formerly known as Regal Cyber Limited), a company incorporated on 26 November 1999 in Hong Kong with limited liability and an indirectly wholly-owned subsidiary of the Company
"RCG Malaysia"	RCG (Malaysia) Sdn Bhd, a company incorporated on 1 December 2006 in Malaysia with limited liability and an indirectly wholly-owned subsidiary of the Company
"RCG ME"	RCG (M.E.) FZCO, a company incorporated on 19 August 2006 in United Arab Emirates with limited liability and an indirectly wholly-owned subsidiary of the Company
"RCG ME BVI"	RCG Middle East Limited, a company incorporated on 1 December 2006 in the BVI with limited liability and an indirectly wholly-owned subsidiary of the Company
"Remuneration Committee"	a committee of the Board with responsibility for overseeing the remuneration of the executive Directors and senior executives of the Company
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"Ringgit" or "MYR"	Ringgit, the lawful currency of Malaysia
"Sonny Li"	Li Mow Ming Sonny
"Skycomp Technology"	Skycomp Technology Sdn Bhd, a company incorporated on 14 September 1999 in Malaysia with limited liability and an indirectly wholly-owned subsidiary of the Company
"UAE"	United Arab Emirates
"UCH"	UCH Technology Sdn Bhd, a company incorporated on 7 May 1991 in Malaysia with limited liability and an indirectly wholly-owned subsidiary of the Company
"United States dollars" or "US$"	United States dollars, the lawful currency of the United States
"Vast Base"	Vast Base Technology Limited, a company incorporated on 30 July 2007 in the BVI with limited liability and a 80% owned subsidiary of the Company

Glossary of Technical Terms

"application"	a functional system made up of software or hardware, or a combination of both, that performs a specific task
"biometrics"	the identification of a unique, measurable characteristic of a human being. This may be a physical or behavioural characteristic. Common types of biometric technologies include fingerprint recognition, iris scan, facial recognition, vein recognition, hand geometry recognition and voice recognition
"BioMirage Coffer"	A personal storage box embedded with biometric fingerprint authentication for security access, a product of the Group
"device"	a machine or tool for a particular purpose
"facial recognition"	identification of individuals through the analysis of facial features
"fingerprint authentication"	verification of individuals through the analysis of fingerprint
"FxCam"	a peephole security camera and recorder equipped with motion activated sensor, a product of the Group
"FxGuard Windows Logon"	biometric facial recognition software designed for computer access security, a product of the Group
"FxSecure Book"	a thin, light weight notebook computer that features biometric facial recognition and fingerprint authentication for security access, a product of the Group
"G10"	biometric drawer-lock enables user to replace keys with own fingerprints, a product of the Group
"hardware"	a comprehensive term for all of the physical parts of a computer, as distinguished from the data it contains or operates on and the software that provides instructions for the hardware to accomplish tasks
"i2"	an access control device using fingerprint recognition and high speed processor, a product of the Group
"i4 Flexi"	an access control device deploying optical fingerprint sensor for identification, a product of the Group
"i5x"	an access control device deploying fingerprint recognition sensor for identification and with high capacity of template storage, a product of the Group
"i8"	an access control device deploying optical fingerprint recognition sensor which consists of a main unit and a sub unit, a product of the Group

“i9”	an access control device combining fingerprint recognitionse, RFID, touch screen and wireless technologies, a product of the Group
“infrared”	electromagnetic radiation with wavelengths longer than visible light but shorter than radio waves
“iTrain”	an interactive e-learning device combining hardware and software that uses infra-red and RFID technology, a product of the Group
“K8”	a multi-modal biometrics security device for access control and customer relationship management combining fingerprint authentication, facial recognition, RFID and password authentications, a product of the Group
“M29”	a fingerprint recognition door lock security system based on capacitive sensor, a product of the Group
“M2M”	“Machine-to-Machine”, data communications between machines
“M30”	a fingerprint recognition door lock security system, a product of the Group
“processor”	logic circuitry that responds to and processes the basic instructions that drive a computer
“RFID”	“Radio Frequency Identification”, a technology for data acquisition by way of radio frequency between transponders and a host system
“RFID tag”	a transponder which is a tiny radio device that consists of an integrated chip attached to an aerial
“s2”	a slim and compact fingerprint recognition access control device deploying capacitive sensor, a product of the Group
“S903”	a slim fingerprint recognition access control device deploying capacitive sensor, a product of the Group
“S904”	a slim fingerprint recognition access control device with smart card technology, a product of the Group
“sensor”	any device that receives a signal or stimulus and responds to it in a distinctive manner
“software”	a system or utility or application programme expressed in a computer readable language
“VxSkynet”	an automated video surveillance system with the ability to detect and track suspicious objects such as unattended luggage at airports, a product of the Group