RCG

RCG Holdings Limited

宏霸數碼集團（控股）有限公司*

(a company incorporated in Bermuda with limited liability)

(Stock Code: HKSE: 802; AIM: RCG)

PRELIMINARY RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

The Board of Directors (the "Board") of RCG Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, "RCG" or the "Group") for the year ended 31 December 2008 together with comparative figures for the year ended 31 December 2007 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	**2008** **HK$'000**	2007 HK$'000
Turnover	4	**2,002,353**	1,438,781
Cost of sales		**(943,731)**	(719,710)
Gross profit		**1,058,622**	719,071
Other operating income		**19,334**	29,138
Selling and distribution costs		**(96,851)**	(113,410)
Administrative expenses		**(362,494)**	(176,363)
Profit from operations	5	**618,611**	458,436
Finance costs	6	**(5,235)**	(2,229)
Profit before taxation		**613,376**	456,207
Income tax expense	7	**(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		**HK$2.69**	HK$2.03
— Diluted		**HK$2.68**	HK$2.02
Proposed final dividend per share	8	**HK$0.165 or £0.015**	HK$0.078 or £0.005

* *For identification purposes only*

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**187,736**	162,608
Prepaid lease payments		**17,791**	18,378
Goodwill		**173,570**	179,356
Intangible assets		**1,275,689**	256,534
Available-for-sale financial assets		**—**	120,000
		1,654,786	736,876
Current assets			
Prepaid lease payments		**183**	189
Inventories		**294,034**	144,945
Trade receivables	*9*	**500,281**	395,278
Deposits, prepayments and other receivables		**407,277**	236,680
Cash at bank and in hand		**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		**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
LIABILITIES			
Non-current liabilities			
Obligations under finance leases		**649**	883
Deferred tax liabilities		**4,897**	4,362
		5,546	5,245
Current liabilities			
Trade payables	*10*	**73,493**	18,842
Accruals and other payables		**24,468**	10,978
Tax payables		**637**	3,171
Interest-bearing borrowings		**191,034**	32,312
Obligations under finance leases		**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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	2008	2007
	HK$'000	*HK$'000*
Cash flows from operating activities		
Profit before taxation	**613,376**	456,207
Amortisation of intangible assets	**96,369**	1,573
Amortisation of prepaid lease payments	**185**	158
Depreciation	**26,824**	23,212
Loss on disposal of property, plant and equipment	**253**	211
Share-based payment expenses	**6,535**	24,926
Gain on disposal of subsidiaries	**(28)**	—
Provision of obsolescent inventories	**1,191**	1,718
Impairment of trade receivables	**1,808**	1,447
Impairment of goodwill	**—**	13,812
Bank interest income	**(18,805)**	(26,215)
Write-off of property, plant and equipment	**79**	403
Interest expenses on interest-bearing borrowings and bank overdrafts	**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	**18,805**	26,215
Income tax paid	**(4,273)**	(4,828)
Net cash generated from operating activities	**395,474**	191,412

	2008	2007
	HK$'000	*HK$'000*
Cash flows from investing activities		
Purchases of property, plant and equipment	**(56,709)**	(82,326)
Purchase of leasehold land	**—**	(18,725)
Purchase of available-for-sale financial assets	**—**	(120,000)
Investment in intangible assets	**(102,145)**	(73,077)
Net cash paid for acquisition of a subsidiary	**(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)
Cash flows from financing activities		
Interest expenses paid on interest-bearing borrowings and bank overdrafts	**(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	**320,319**	651,290

NOTES TO THE FINANCIAL STATEMENTS

1. 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.

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* permit 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. TURNOVER AND 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 business segments, revenues and results are attributed to the strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. In determining the Group's geographical segments, the secondary segment reporting basis, revenues and results are attributed to the segment based on the location of the customers.

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

	Consumer		**Enterprise**		**Solutions Projects**		**Total**	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'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

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

	Turnover		**Segment results**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'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

5. PROFIT FROM OPERATIONS

The profit from operations is stated after charging:

	2008	2007
	HK$'000	*HK$'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	**185**	158
Impairment of goodwill	**—**	13,812
Amortisation of intangible assets	**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	**111,535**	111,276

6. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'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

7. INCOME TAX EXPENSE

	2008	2007
	HK$'000	*HK$'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

8. DIVIDENDS

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 and in the form of scrip dividends has been declared payable wholly in the form of fully-paid shares subject to and conditional upon approval at the annual general meeting on 21 April 2009 (the "Annual General Meeting"). For details, please see the section below headed "Scrip Dividend Scheme".

9. TRADE RECEIVABLES

The aging analysis of the trade receivables is as follows:

	2008	2007
	HK$'000	*HK$'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

10. TRADE PAYABLES

The aging analysis of the trade payables is as follows:

	2008	2007
	HK$'000	*HK$'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

11. CONTINGENT LIABILITIES

As at 31 December 2008, the Group had no contingent liabilities.

CHAIRMAN'S STATEMENT

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 the People's Republic of China ("**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 the 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 Technology Limited** ("**Chance Best**") and an 80% equity interest in **Vast Base Technology Limited** ("**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 the Stock Exchange of Hong Kong Limited ("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 the HKSE, AIM of the London Stock Exchange plc ("LSE") and PLUS Market ("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. Li Mow Ming Sonny** 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 the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (the "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 the 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 Annual General Meeting ("2009 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

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.

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.

	Year ended 31 December				**y-o-y**
Business Segments	**2008**		2007		**growth**
	HK$m	*%*	*HK$m*	*%*	*%*
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 U.S., 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.

	Year ended 31 December				**y-o-y**
Geographical Segments	**2008**		2007		**growth**
	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). 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.

Proposed Dividend

Proposed final dividend and details have been disclosed in the Chairman's Statement and the section headed "Scrip Dividend Scheme".

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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2008 and up to the date of this announcement, the Company purchased 587,677 ordinary voting shares of HK$0.01 each in the capital of the Company at prices range from 55.575 pence to 72.35 pence on the AIM of the London Stock Exchange plc.

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.

REVIEW BY AUDIT COMMITTEE

In connection with the listing of the Company on the HKSE, on 2 February 2009, the Company rearranged the composition of the audit committee so that 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 now acts as Chairman of the committee with Jonathan Michael Caplan and General Dato' Seri Mohd Azumi bin Mohamed 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.

CODE ON CORPORATE GOVERNANCE PRACTICE

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 contained in Appendix 14 to the Hong Kong Listing Rules as its additional code on corporate governance practices on 2 February 2009.

SCRIP DIVIDEND SCHEME

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.

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.

CLOSURE OF REGISTER OF MEMBERS FOR FINAL DIVIDEND AND AGM

The Register of Members of the Company will be closed from Wednesday, 1 April 2009 to Friday, 3 April 2009, both days inclusive, during which period no transfer of ordinary shares will be effected. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 31 March 2009.

The Annual General Meeting will be held at 4:00 p.m. on 21 April 2009 (Hong Kong time) at 1507, AIA Tower, 251A–301, Avenida Commercial De Macau, Macau SAR.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the respective websites of the Company (*www.rcg.tv*) and HKSE (*www.hkex.com.hk*). The Annual Report 2008 will also be published on the aforesaid websites in due course.

DIRECTORS

As at the date of this announcement, the executive Directors of the Company are Dr. Chu Wai Man Raymond, Chau Pak Kun, Dato' Lee Boon Han and Ying Kan Man, and the independent non-executive Directors of the Company are General Dato' Seri Mohd Azumi, Liu Kwok Bond, Jonathan Michael Caplan and Li Mow Ming, Sonny.

By Order of the Board of
RCG Holdings Limited
Dr. Raymond Chu
Chairman and CEO

Hong Kong, 12 March 2009