RCG

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 Report 2009

* For identification only

RCG Holdings Limited is a leading and publicly quoted international provider of biometric and RFID products and solutions services with a primary focus on development and sourcing these products and solutions services from, and selling them in, the Asia Pacific markets. Focusing on biometric and RFID, together with complementary cutting-edge technologies, the Group is dedicated to developing an integrated security platform through hardware and software integration. The Group's products and solutions services include biometric access control devices, biometric consumer products, RFID-enabled asset management systems, RFID anti-counterfeit solutions, intelligent surveillance systems using facial recognition technology and machine-to-machine (M2M) applications.

Established in 1999, RCG Holdings Limited has hands-on experience in serving a number of growing vertical industries such as telecommunication, finance, retail, transportation, entertainment, healthcare, aviation, logistics, real estate and government sectors. RCG is publicly quoted and its Shares are listed or admitted to trading on the Main Board of the Hong Kong Stock Exchange since February 2009, on the PLUS since June 2007 and Alternative Investment Market (AIM) of the London Stock Exchange since July 2004.

RCG Holdings Limited implements an aggressive growth strategy with clear focus on developing innovative applications and diversifying revenue streams towards the emerging markets. Regional offices have been set up in a number of markets including Kuala Lumpur, Beijing, Hong Kong, Shenzhen, Macau, Bangkok and Dubai, with 1800 authorised distributors present globally.

Contents

Financial Highlights

Five Year Financial Summary

	For the year ended 31 December				
	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000
Results					
Turnover	**2,450,162**	2,002,353	1,438,781	884,750	206,127
Profit for the year	**644,919**	611,102	452,666	278,072	63,059
Attributable to:					
Owners of the Company	**636,048**	622,268	452,528	273,975	63,059
Non-controlling interests	**8,871**	(11,166)	138	4,097	—
	644,919	611,102	452,666	278,072	63,059
Basic earnings per share (note)	**HK$2.52**	HK$2.69	HK$2.03	HK$1.58	HK$0.59
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

	As at 31 December				
	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000
Assets and liabilities					
Total assets	**4,240,670**	3,176,880	2,165,258	1,055,230	277,609
Total liabilities	**(357,317)**	(295,779)	(71,098)	(95,150)	(12,190)
	3,883,353	2,881,101	2,094,160	960,080	265,419
Equity attributable to the owners of the Company	**3,701,737**	2,681,331	2,062,542	958,688	265,419
Non-controlling interests	**181,616**	199,770	31,618	1,392	—
	3,883,353	2,881,101	2,094,160	960,080	265,419

Note: The calculation of basic earnings per share is based on the profit attributable to the owners 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 2009 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 for the year 2009

- **Listing on the Main Board of the Hong Kong Stock Exchange**
- **Completion of and move-in to new operational headquarters building RCG Tower in Malaysia**
- **Awarded "Asia's 200 Best Under a Billion — the Region's Top 200 Small and Midsize Companies" by Forbes Asia**
- **Included as a constituent of Morgan Stanley Capital Investment (MSCI) Hong Kong Small Cap Index**
- **Launched a series of new biometrics and RFID products and solutions including:**
  - XL 1000 industrial controller for access control
  - EL 1000 industrial controller for access control
  - i4e fingerprint access control
  - i4x fingerprint access control
  - APT900 RFID antenna for banks' data centre
  - RUS-series RFID reader for access control and personal applications
  - R10 portable RFID Bluetooth reader and writer
  - E-seal RFID-based Container Security solution
  - RCG RFID Document Management System
  - RCG Candybox Point-of-Sales solution
  - RCG RFID Guard Tour Monitoring solution
  - RCG RFID IT Asset and Data Management solution

Innovative Products & Powerful Solutions

RCG launched a series of new products and solutions to support which will carry commercial prospects and potentials to improve visibility of revenue for the Group

Chairman's Statement

Raymond Chu Wai Man
Chairman

I am pleased to present the financial results for the year ended 31 December 2009, the year which also marks the tenth anniversary of our Group. The first decade of RCG's history has witnessed many challenges and successes, and has been fruitful for the Group.

The year 2009 marked an important milestone for RCG's corporate development. On 10 February 2009 RCG shares commenced dealings on the Main Board of the Hong Kong Stock Exchange. I am pleased to report that we achieved our goals to improve trading liquidity by allowing Asian-based investors to participate in our growth story and improve our valuation.

2009 was an extremely challenging year for many businesses, including RCG. The global economy remained unsettled as a result of the ongoing turmoil in the financial markets. It was a difficult time for many corporations as the global economy slowed down, credit tightened and international trade declined. Strategies to counter the effect of the downturn have differed around the world; some governments released stimulus plans to expand their economies; the US Federal Reserve took the decision to raise the interest rate charged to banks for emergency loans; whilst the Chinese government set out plans to nullify all guarantees that local governments have provided for loans. In the absence of any clear indicators as to the direction of the global economy, the Board will continue to pursue a prudent and cautious approach to the Group's strategy until such a time that there is more certainty about the timing and the nature of a recovery in RCG's markets.

Despite the uncertain economic landscape, I am pleased to report that RCG has benefited from the government stimulus plans, especially in Southeast Asia, Greater China and the Middle East. By focusing on certain vertical industries supported by government stimulus across regions less affected by the financial crisis, the Group has managed to improve its revenue. Coupled with the industry outlooks for biometrics and RFID, which showed healthy developments and projected increase of revenue, this has confirmed that RCG is well positioned for continued growth.

Following the relocation of RCG's operational headquarters to Malaysia in August 2009, the Group has continued to monitor its cost control policy in order to prepare itself for the next phase of growth against the backdrop of economic uncertainty.

In February 2010, the Court of First Instance of Hong Kong handed down the judgement on the case involving RCG's two largest shareholders, Veron International Limited ("Veron") and Mr. Tony Chan, the beneficiary owner of The Offshore Group Holdings Limited ("Offshore"). Mr. Tony Chan has launched a notice of appeal and the probate case litigation is projected to continue.

In February 2010, the Board made new appointments and re-designation of directors with a view to further strengthening the independence of the Board, and to enhance strategic management and corporate governance of the Company going forward. We have separated the role of Chairman and Chief Executive Officer together with other changes to the composition of the Board. Dato' Lee Boon Han, the former Deputy Chief Executive Officer, was appointed as Chief Executive Officer of the Company. The Board will continue its efforts to improve its corporate governance, independence and transparency to our shareholders.

Moving forward, RCG will continue to explore new business opportunities and launch innovative products and solutions which will carry commercial prospects and potentials to improve visibility of revenue for the Group. RCG will continue with its expansion plans while exploring new revenue streams where the Group will be able to leverage its competitive strengths. RCG is also actively exploring new promising developments including Internet of Things ("IOT"), Machine-to-Machine ("M2M") and the security industry which the Board believes carries significant commercial value.

I would like to express my gratitude to our shareholders, customers, business partners, my fellow directors and our staff for their continuous and relentless support to RCG. I hope that RCG will continue enjoying your support in the years to come.

Raymond Chu Wai Man
Chairman

24 March 2010

CEO's Statement

Dato' Lee Boon Han
Chief Executive Officer

I am pleased to present the first CEO Statement following my appointment as the Chief Executive Officer of the Company.

The results for the year ended 31 December 2009 have illustrated a growth in the last twelve months amidst the global financial turmoil. The Group's revenue for the year ended 31 December 2009 was HK$2,450.2 million, a 22.4% increase from revenue of HK$2,002.4 million over the same period in 2008. Gross margin for the year ended 31 December 2009 was 50.9%, a slight decrease from 52.9% over the same period in 2008 despite the challenging trading conditions. EBITDA for the year ended 31 December 2009 was HK$823.9 million, a 11.2% increase from HK$740.8 million over the same period in 2008. Profit before taxation (pre amortisation charge) for the year ended 31 December 2009 was HK$789.2 million, a 11.2% increase from HK$709.7 million over the same period in 2008.

The increase in RCG's revenue and profitability is attributed to the execution of strategies formulated to face the challenges caused by the global financial crisis. The Group continued to focus on the geographic regions less affected by the economic crisis and used this opportunity to strengthen RCG's foothold and further establish and expands its brand in Southeast Asia, Greater China and the Middle East. The Group strengthened its ties with multi-national companies and government-appointed contractors and won high profile contracts providing our products and solutions to governmental departments. Moreover, with its strong technical capability, the Group has successfully delivered innovative and unique solutions to the industry which creates customers retention and also a first mover advantage for the Group, ahead of the industry and market trends. Above all, the Group continued to exercise strict cost controls which were successfully achieved by moving its operational headquarters to RCG Tower in Malaysia.

On 8 April 2009, the Group acquired a minority stake in A-1 Development Inc. ("A-1"), an exclusive information technology and business process outsourcing and consultancy service for an online content provider and entertainment platform based in the PRC. A-1 also executed a licensing agreement with the Group, under which A-1 will order the Group's FxGuard Windows Logon and Virtual Storage Workgroup software. The Group continued to receive orders from A-1 which contributed positively to the Group's consumer segment. At the date of publication of this report, the Group has received orders and A-1 has fulfilled one-third of A-1's committed licensing agreement order signed at the time of its acquisition by the Group. The strategic investment in A-1 was also in line with the Group's development strategy in expanding into the significant online entertainment market in the PRC.

The Group also gained additional business in the verticals of RFID ticket anti-counterfeit, healthcare and online entertainment security as a result of full integration of Vast Base and Chance Best, two companies which the Group had acquired stakes in. The growth of cultural, entertainment and sport industries in the PRC and Southeast Asia has induced growth of ticketing business and recently deployment of RFID technology for preventing counterfeit are commonly used, well-proven and widely accepted by event organisers and audiences. The industry's growth has brought a favorable business environment for the Group, which expanded its offerings and won contracts for the provision of RFID ticketing management systems via Vast Base and Chance Best. Similarly, the increasing demand for better healthcare systems and automation in the PRC also created a favorable environment for the Group to supply its RFID healthcare management systems via Vast Base. The vendors of Vast Base have entered into an agreement with RCG guaranteeing Vast Base profits for the first two years after its acquisition by the Group. The Group is pleased to report that Vast Base has met the profit guarantee for the first two years within eighteen months, this being six months earlier than previously expected.

The Group identified potential opportunities within its solutions, projects and services segment, especially those backed by government stimulus plans in tackling the economic crisis. Accordingly, the Group launched a series of new products and solutions to support the expansion of this segment and RCG continues to win contracts from prominent organisations and the governmental sector. RCG's proprietary **RFID IT Asset and Data Security Management Solution**, which was successfully implemented in China Construction Bank, was named by a leading RFID publication as the first of its kind in the financial services sector globally. RCG also launched other self-developed solutions which immediately gained contract wins including **RFID Document Management System** implemented in MTR Corporation, **M2M Guard Tour Monitoring Solution** with contract wins from **the Malaysian Ministry of Education,** and a series of security-related and solution contracts from **the Ministry of Information and Communication Technology of Thailand, the Malaysian National Registration Department, the Malaysian Department of Environment, the Malaysian Ministry of Home Affairs, China Science & Technology Museum, Nigerian Code of Conduct Bureau, Nigerian Federal Housing Authority, Umm Al-Quwain Police Department, and Ministry of Manpower of Oman**.

On 8 October 2009, the Group completed a placement of 20,000,000 shares, which represented approximately 7.31% of the then issued share capital of the Company. The net proceeds of HK$189 million is being utilised for the Group's expansion into government sector projects, research and development and the potential operational expansion into Southeast Asia, the Middle East and the PRC markets.

CEO's Statement

As the Group expands, it has continued to receive acknowledgement and awards from the industry including **Asia's 200 Best Under a Billion — the Region's Top 200 Small and Midsize Companies, Deloitte Technology Fast 500 Asia Pacific 2009, Hong Kong Economic Digest Outstanding Enterprise 2009** and inclusion in the **Morgan Stanley Capital Investment (MSCI) Small Cap Hong Kong Indices**. The Company is pleased to be ranked the 11th largest security firm globally and the 5th in Asia in the **A&S top 50 Security Companies**, an annual ranking by A&S magazine, a highly respected security magazine globally. According to company rankings, RCG is the 2nd largest biometric company globally and the largest in Asia Pacific. RCG recently achieved high ranking in RFIDinfo website's **2009 Annual China RFID Industry Ranking** including RCG ranked 2nd on "Corporate RFIDinfo Big Thumb Award", "RCG Data Centre Management Solution for Bank Application", which was successfully implemented in Industrial and Commercial Bank of China and China Construction Bank, was ranked 1st under the "Pioneer Application" category and "RCG RFID Data Centre Management Solution" was ranked 5th under the "Best RFID Product" category. RCG also included as one of the **Most Influential Foreign Companies in PRC in the RFID field** by RFIDworld, a premier website acting as premier RFID-related platform in PRC.

Following my appointment, I have been drawing up a medium-term plan for the Group, particularly with regards to the Group's operations and allocation of resources to best facilitate the Group's expansion plan. The plan will also include the planning and creation of new revenue streams and business directions by way of merger and acquisition and organic expansions into security-related businesses, dividend policy and cash flow management.

Whilst RCG has seen different signs of early recoveries from the continual global financial crisis, especially supported by the government stimulus plan worldwide, the Group remains cautious about the sustainability and speed of the economic recoveries ahead. Considering the trading outlook and our growth strategy, the Board is of the view that it is in shareholders' best interests for the Company to retain cash for its expansion plan and growth, therefore the Board is not proposing a final dividend for the year ended 31 December 2009. Considering the uncertainly in global economic developments, the Group is cautiously optimistic about the trading outlook in 2010, and we expect the increased levels of Government contracts to contribute to working capital turns remaining around 2009 year and levels going forward.

I would like to thank Raymond Chu Wai Man, my predecessor. Without his hard work and dedication, RCG would not be in the strong position it is today. I am grateful with the trust and opportunity given to me to lead this great company and I look forward to working together with all our staff to contribute towards the sustainable growth of the Group.

Dato' Lee Boon Han
Chief Executive Officer

24 March 2010

Global Presence

RCG Offices ●

Customer Coverage ■

Management Discussion and Analysis

Business review

On 17 August 2009, the Group officially moved into the newly developed operational headquarters in Malaysia, the RCG Tower. Following the completion of interior decoration and furnishing of the internal facilities, the Group's new headquarters is now fully operational. The relocation to RCG Tower was intended to help the Group to realise substantial long-term cost savings by integrating back-end and operational support functions under one roof as well as to support expanding operations in the Southeast Asia and the Middle East regions. The Group is pleased to report that it has gradually seen cost savings as intended.

In 2009, the Group experienced unprecedented volatility due to the impact of the international financial crisis. Nevertheless, the Group still demonstrated operational strength. By running its business in a responsible manner using prudent approach to investment, the Group continued to achieve strong sales performance and maintained its position as the market leader within its operating regions.

Despite the difficult economic conditions, the Group introduced a variety of innovative products and more powerful solutions in order to fulfill customer requirements in the various vertical industries such as banking, logistics and transportation, healthcare, entertainment and government sectors. In 2009 the Group won several significant contracts such as provision of banking solutions to China Construction Bank and Industrial and Commercial Bank of China; the provision of RFID Document Management Systems to MTR Corporation Limited; the provision of control and security systems to the Malaysian National Registration Department and the Malaysian Department of Environment of the Ministry of Natural Resources and Environment, and the provision of Guard Tour Monitoring Solutions to the Malaysian Ministry of Education.

During the year ended 31 December 2009, turnover of the Group increased to HK$2,450.2 million, representing a 22.4% increase as compared with last year. Profit before taxation for the year ended 31 December 2009 was HK$644.9 million or a 5.1% increase on 2008. In addition, RCG was delighted to receive a number of awards from international organisation which recognised the Group's activities and achievements, these included: Deloitte Fast Technology 500 Asia Pacific, Forbes' Asia's 200 Best Under a Billion, The Region's Top 200 Small and Midsize Companies, Economic Digest Hong Kong Outstanding Enterprise 2009.

Performance of business segments

The Group's business is focused on biometrics and RFID and is divided into three business segments: "Consumer", "Enterprise" and "Solutions, Projects and Services". The Group's products incorporate biometric technology, often in conjunction with RFID features. RCG's products often have applications in more than one of its business segments.

The **consumer** segment focuses principally on residential and personal security products for end-users. Products in this segment include **FxGuard Windows Logon, BioMirage Coffer** and **iTrain software**.

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-model security devices that use facial recognition technology, fingerprint authentication technology, password and RFID.

In addition to its biometric and RFID related products, RCG also makes bespoke system solutions for end-users using the Group's internally developed software and hardware capabilities supported by its own and third party products as required. This **solutions, projects and services** business segment is mostly used for enterprise management and consumer security protection. The Group focuses on high growth industries such as banking, logistics and transportation, entertainment, healthcare and government sectors solutions.

"The Group's business focused on biometrics and RFID and is divided into three business segments: "Consumer", "Enterprise" and "Solutions, Projects and Services"."

Management Discussion and Analysis

Business Segments	Year ended 31 December 2009 HK$m	2009 %	2008 HK$m	2008 %	y-o-y growth %
Consumer	**807.1**	**32.9**	835.6	41.7	**(3.4)**
Enterprise	**975.6**	**39.8**	824.1	41.2	**18.4**
Solutions, Projects and Services	**667.5**	**27.3**	342.7	17.1	**94.8**
Total revenue	**2,450.2**	**100.0**	2,002.4	100.0	**22.4**

The **consumer** segment revenue has marginally decreased due to economic crisis and it caused overall product sales to 2009 except for FxGuard Windows Logon. FxGuard Windows Logon is the latest facial recognition software specially designed for computers login in lieu of password. This product accounted for 14.1% of the Group's turnover for the year ended 31 December 2009 and the FxGuard Windows Logon turnover for year 2009 has increased 106.8% compared with 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 has launched a range of new products, including the **R-series** RFID readers, **XL 1000 and EL 1000 Industrial Controllers**, during the first half of 2009 which has contributed positively to this segment. As of 2009, these new products have contributed approximately 7.0% of the overall enterprise segment sales. Other enterprise products contributing most to the enterprise segment's 18.4% year-on-year sales growth were the s-series. The sales of s-series grew 40.5% compared with 2008 which increased from HK$208.4 million to HK$292.7 million.

Increased revenues in the **solutions, projects and services** 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 Group focuses on high growth industries such as healthcare, ticket management systems, anti-counterfeit solutions, logistics, banking solutions and theme-park solutions.

Geographical performance

The Group has regional offices in Kuala Lumpur, Beijing, Shenzhen, Hong Kong, Macau, Bangkok and Dubai, and has authorised distributors around the world including in the U.S., Singapore, Indonesia, Vietnam, India, Australia and Nigeria. 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. During the period under review, the Group had approximately 1,800 distributors and dealers worldwide.

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

Geographical Segments	Year ended 31 December 2009 HK$m	2009 %	2008 HK$m	2008 %	y-o-y growth %
Southeast Asia	**1,321.2**	**53.9**	1,111.6	55.5	**18.9**
Greater China	**663.5**	**27.1**	432.0	21.6	**53.6**
Middle East	**455.9**	**18.6**	429.6	21.5	**6.1**
Others	**9.6**	**0.4**	29.2	1.4	**(67.1)**
Total revenue	**2,450.2**	**100.0**	2,002.4	100.0	**22.4**

In Southeast Asia, our revenue increased by 18.9% as compared to 2008. Consumer segment decreased by 21.3% and both Enterprise and Solutions, Projects & Services segments have benefited indirectly from the various local governmental stimulus plans implemented to counter the global economic slowdown.

Enterprise segment in the PRC has been decreased by 16.3% and both the Consumer and Solutions, Projects & Services segments in the PRC have shown improvements compared with 2008, the Consumer segment grew at a rate of 119.3% and the Solutions, Projects & Services segment grew by 48.0%. The Consumer segment's growth was mainly driven by the A-1 licensing deal whereas the Enterprise and Solutions, Projects & Services segments have both benefited indirectly from the PRC government's RMB 4 trillion stimulus programme, which is an initiative to boost infrastructure development and domestic consumption.

The Middle East's sales marginally increased by 6.1% in 2009 compared with year 2008, especially in the Enterprise segment which has seen a 20.0% improvement. This can be attributed to RCG's Middle East sales extending the Group's reach to other lucrative markets in the region such as Jordan, Qatar and Kuwait. Local government's economic stimulus plans also indirectly benefited the Group's sales. Although the turnover of the Consumer segment in the Middle East decreased by 27.9% in 2009 compared with 2008, but the Solutions, Projects & Services segment grew 129.3% in 2009 compared with 2008.

Acquisitions

As was announced on 8 April 2009, the Group acquired a 15% equity interest in A-1 Development Inc. in April 2009 for a total consideration of HK$135 million, which was fully satisfied by issuing 15 million new shares of the Company. The Group considered this minority stake in A-1 as a strategic investment, with future opportunities to participate in the rapid growth of the PRC online gaming industry, which saw a 76.6% year-on-year growth in 2008. Furthermore, the licensing agreements signed with A-1 for the provision of the FxGuard Windows Logon and Virtual Storage Workgroup software are expected to contribute positively to the Group's overall sales in the coming three financial years.

Financial review

Turnover

For the year ended 31 December 2009, the Group reported net revenues of HK$2,450.2 million representing an increase of 22.4% as compared to HK$2,002.4 million in 2008. The rise in revenue was due to huge increase in solutions, projects and services segment which had a 94.8% growth compared with 2008.

Cost of sales

Cost of sales increased 27.5% from HK$943.7 million in 2008 to HK$1,203.4 million in 2009. This increase was commensurate with the increase in the Group's turnover for the same period.

Gross profit

Gross profit in 2009 was HK$1,246.8 million, an increase of 17.8% as compared to HK$1,058.7 million in 2008. The increase in the Group's gross profit was due to the increase of the overall gross profit of solutions, projects and services segment and particularly the RFID healthcare solution and RFID tickets.

Other operating income

Other operating income decreased 88.6% from HK$19.3 million in 2008 to HK$2.2 million in 2009 mainly due to the decrease in interest income resulting from the lower interest rates.

Administrative expenses

Administrative expenses increased 10.4% from HK$362.5 million in 2008 to HK$400.1 million in 2009. 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$144.1 million in 2009 compared to HK$96.4 million in 2008.

Selling and distribution costs

Selling and distribution costs increased 104.4% from HK$96.9 million in 2008 to HK$198.1 million in 2009. The selling and distribution costs increased due to increase in corporate marketing costs brought about by the promotion and exhibition costs in the PRC.

Finance costs

Finance costs increased from HK$5.2 million in 2008 to HK$5.9 million in 2009 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 2009 was HK$644.9 million, an increase of 5.1% as compared to HK$613.4 million in 2008.

Income tax credit/(expense)

The Group recorded an income tax credit of HK$0.046 million in 2009 compared to an income tax expense of HK$2.3 million in 2008. The income tax credit recognised was mainly due to deferred tax assets recognised relating to unabsorbed tax loss. The effective tax rates of 2008 and 2009 were 0.4% and -0.01% respectively.

Profit for the year

As a result of an increase in revenue with a stable cost structure, profit for the year increased by 5.5% to HK$644.9 million in 2009 as compared to HK$611.1 million in 2008.

Profit attributable to the owners of the Company

Profit attributable to the owners of the Company increased by 2.2% from HK$622.3 million in 2008 to HK$636.0 million in 2009, and decreased from 31.1% in 2008 to 25.9% in 2009 in terms of percentage of the Group's turnover.

Profit attributable to the non-controlling interests

Profit attributable to the non-controlling interests increased from the loss of HK$11.2 million in 2008 to a profit of HK$8.9 million in 2009.

Review of the Group's financial position as at 31 December 2009

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 utilised 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 year 2009.

Working capital requirement remained strong, due to increase of the inventory reserve and raw materials required for supporting the increased number of government-based contract and project sales. Trade receivables turnover days had increase to 97days for the year 2009 from 82 days for the year 2008 because the Group had lengthened the credit period of valued customers in order to keep the customers in such challenging business environment due to global financial crisis.

The Group incurred capital expenditure of HK$232.0 million during the year ended 31 December 2009 (2008: HK$158.9 million), mainly for the acquisition of property, plant and equipment and investment in research and developments.

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

	Year ended 31 December	
	2009	2008
	HK$'000	HK$'000
Purchase of property, plant and equipment	**60,949**	56,709
Investment in research and development	**171,025**	102,145
	231,974	158,854

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.

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 2009, the Group had trade financing facilities amounting to HK$33.8 million secured by freehold land and buildings held for sale in Malaysia and cash deposit, a term loan facility amounting to HK$56.5 million secured by the pledging of a Malaysian property, and a revolving credit line for working capital purposes amounting to HK$226.2 million which was secured by cash deposits.

Save as disclosed above, there were no other charges on assets as at 31 December 2009.

The interest rates for the trade financing line ranged from 4.26% to 5.63% and this facility is denominated in Malaysian Ringgit. It is in the form of bankers' acceptance and trust receipts facilities for trading purposes. The term loan facility carries interest at a rate of 3.88% and is also denominated in Ringgit. The revolving credit line has an interest rate of 1.9% plus HIBOR and is denominated in Sterling Pounds. It is rolled-over monthly 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	
	2009	2008
	HK$'000	HK$'000
Within one year	**205,568**	191,034
In the second to fifth years, inclusive	**49,660**	–
Total bank borrowings, secured	**255,228**	191,034

The Group had cash and cash equivalents of HK$312.1 million as of 31 December 2009 compared to HK$320.3 million as of 31 December 2008.

Gearing ratio

As at 31 December 2009, the Group's gearing ratio was about 0.065x (2008: 0.067x), calculated as the Group's total debt divided by its total capital. Debt of HK$255.9 million is calculated as total borrowings (including short-term bank loans amounting HK$205.6 million, current position of financing obligations amounting HK$0.5 million, long term bank loans amounting HK$49.6 million and long term financing obligations of HK$0.2 million). Total capital is calculated as total shareholder equity of HK$3,701.7 million plus debt.

As at 31 December 2009, the Group had a net cash position of HK$56.2 million (2008: HK$128.0 million) calculated as cash at bank less short term and long term bank loans and financial obligations.

Contingent liabilities

As at 31 December 2009, the Group had no contingent liabilities (2008: Nil). The Company had acted as a guarantor of its subsidiaries to secure interest-bearing borrowings, which amounting to approximately HK$85.3 million (2008: HK$31.4 million) as at 31 December 2009.

The carrying amount of the financial guarantee contract recognised in the balance sheet was approximately HK$437,000 (2008: HK$24,000) as at 31 December 2009. The financial guarantee contract was eliminated on consolidation.

Foreign exchange risk management

Certain of the Group's bank balances are denominated in Pounds, Ringgit, United States Dollars, United Arab Emirates Dirham 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 shod the need arise.

Human Resources

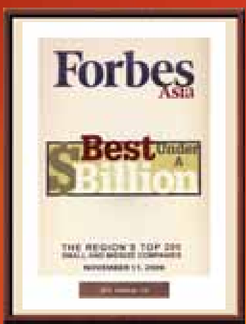
The Group places heavy emphasis on staff training and development to unlock employees' maximum potential. Remuneration packages are linked with individuals and the Group's business performance, and taking into consideration industry practices and competitive market conditions. Directors' remunerations are determined with reference to his duties and responsibilities with the Company, the Company's standards for emoluments and market condition. Share options are also granted to eligible employees based on individual's performance as well as the Group's performance.

As at 31 December 2009, in addition to the Directors, there were around 320 employees of the Group. The employees are stationed in the Group's offices in Hong Kong, Beijing, Shenzhen, Kuala Lumpur, Bangkok and Dubai. Total staff costs for the year 2009 were HK$113.1 million, compared with HK$111.5 million in year 2008.

Management Outlook

The Group will continue to explore business opportunities and launch innovative products and solutions which carry commercial prospects and potentials to improve revenue visibilities for the Group. The Group will carry on its expansion plan to Southern and Central China and Indonesia, while exploring new vertical industries where the Group will be able to leverage our competitive strengths in the areas of biometrics and RFID, such as retail and education sectors. It will also actively look into new promising developments into Internet of Things and Machine-to-Machine which it believes carry significant commercial values and potential developments for the Group.

Achievements and Awards



Forbes Asia's 200 Best Under A Billion — The Region's Top 200 Small and Midsize Companies

Deloitte Fast Technology 500 Asia Pacific

Economic Digest Hong Kong Outstanding Enterprises 2009

A&S top 50 Security Companies

Morgan Stanley Capital Investment (MSCI) Small Cap Hong Kong Indices

Automatic Identification China's RFID Technology Development Application Award

2009 RFID World Ranking — Inclusion as one of The Most Influential Foreign Company in RFID field in PRC

Hardware Magazine Silver Award

Hong Kong Council of Social Service's Caring Company Logo 2008/2009

Directors' Report

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 2009.

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 solution services. There were no changes 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 Directors, the state of the Company's affair as at 31 December 2009 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 12 to 19.

Results and dividend

The results of the Group for the year ended 31 December 2009 are set out in the Consolidated Income Statement on page 48.

The Board maintains a cautious view to retain cash for running the business and fund its expansion, thus decided that there will be no dividend paid in respect of the year ended 31 December 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 53 and note 26 to the financial statements respectively.

Distributable reserves

As at 31 December 2009, the Company's reserves available for distribution amounted to approximately HK$1,556,228,000 (2008: HK$1,268,070,000).

Share capital

Details of movements in the share capital during the year are set out in note 25 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 27 to the financial statements.

Major customers and suppliers

During the year, sales to the Group's five largest customer accounted for approximately 32.1% of the Group's total sales for the year and sales to the Group's largest customer amounting to approximately 8.9%. Purchases from the Group's five largest suppliers accounted for approximately 75.4% to the Group's total purchases for the year and purchases from the Group's largest supplier amounted to approximately 23.9%.

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 issue 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' service contracts

Raymond Chu Wai Man, Chau Pak Kun, Dato' Lee Boon Han and Ying Kan Man have entered into service contracts with the Group on 2 February 2009. Chong Khing Chung has entered into service contract with the Group on 11 February 2010. 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. On 11 February 2010, the service contract between Chau Pak Kun with the Group was terminated.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determineable 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 40 to the financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year or as at 31 December 2009.

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

As at 31 December 2009, the interests and short positions of the Directors and chief executives in the Shares, underlying shares and debentures 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 (the "SFO")) as recorded in the register of interests 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 (Note 2)	Number of shares and underlying shares	Approximate percentage of issued share capital (Note 3)
Raymond Chu Wai Man	Beneficial owner	352,211	3,200,000	3,552,211	1.30%
	through a controlled corporation (Note 1)	18,500,000	—	18,500,000	6.76%
Dato' Lee Boon Han	Beneficial owner	25,611	625,000	650,611	0.24%
Ying Kan Man	Beneficial owner	25,611	1,100,000	1,125,611	0.41%
Chong Khing Chung	Beneficial owner	—	72,500	72,500	0.03%
Chau Pak Kun	Beneficial owner	35,855	1,750,000	1,785,855	0.65%
General Dato' Seri Mohd Azumi (rtd)	Beneficial owner	—	200,000	200,000	0.07%

Note:

The above are all long positions in the Company.

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

2. These are under share options granted to the Directors.

3. Represents the approximate percentage of total issue Shares as at 31 December 2009.

Save as disclosed above, none of the Directors or chief executives had an interest of short position in the shares, underlying shares or debentures of the Company of any of its associated corporations as at 31 December 2009 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 within Directors

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

Significant contract

Save for the service contract of Raymond Chu Wai Man, no contract of significance (whether or not for provision of service) was entered into between the Company and its any subsidiaries and the controlling shareholders or its subsidiaries.

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

As at 31 December 2009, the following persons or companies (other that 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 follow:

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 (Note 3)
Kung Nina (Estate of Nina Kung also known as Nina T.H. Wang)	Interest of controlled corporation	65,662,832	—	65,662,832	24.00%
Veron International Limited	Beneficial owner	65,662,832	—	65,662,832	24.00%
The Offshore Group Holdings Limited (Note 1)	Beneficial owner	63,515,555	—	63,515,555	23.22%
Chan Chun Chuen (Note 1)	Interest of controlled corporation	63,515,555	—	63,515,555	23.22%
Tam Miu Ching (Note 1)	Spousal interest	63,515,555	—	63,515,555	23.22%
Yun Po Kow Rowena (Note 2)	Spousal interest	22,052,211	—	22,052,211	8.06%
Full Future Group Limited (Note 2)	Beneficial owner	18,500,000	—	18,500,000	6.76%

Notes:

The above are all long positions on the Company.

1. The entire issued share capital of The Offshore Group Holdings Limited is beneficiary 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 63,515,555 shares held by The Offshore Group Holding Limited under the SFO.

2. The entire issue share capital of Full Future Group Limited is held by a Director, Raymond Chu Wai Man. Raymond Chu Wai Man is also a director of Full Future Group Limited. Yun Po Kow Rowena is the wife of Raymond Chu Wai Man and is therefore deemed to be interested in the 22,052,211 shares held by Raymond Chu Wai Man under the SFO.

3. Represents the approximate percentage of total issue Shares as at 31 December 2009.

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, underlying shares and debentures"), had an interest or short position in the Share 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	Vesting Period	Exercisable Period	Exercise Price
Directors											
Raymond Chu Wai Man	1,300,000	—	—	—	—	—	1,300,000	20 April 2005	3 years	From 20 April 2008 to 19 April 2015	34.5p
	1,500,000	—	—	—	—	—	1,500,000	4 October 2006	1 year	From 4 October 2007 to 3 October 2016	64.25p
	400,000	—	—	—	—	—	400,000	29 March 2007	1 year	From 29 March 2008 to 28 March 2017	136p
Chau Pak Kun	450,000	—	—	—	—	—	450,000	20 April 2005	3 years	From 20 April 2008 to 19 April 2015	34.5p
	1,000,000	—	—	—	—	—	1,000,000	4 October 2006	1 year	From 4 October 2007 to 3 October 2016	64.25p
	300,000	—	—	—	—	—	300,000	29 March 2007	1 year	From 29 March 2008 to 28 March 2017	136p
Dato' Lee Boon Han	400,000	—	—	—	—	—	400,000	4 October 2006	1 year	From 4 October 2007 to 3 October 2016	64.25p
	225,000	—	—	—	—	—	225,000	29 March 2007	1 year	From 29 March 2008 to 28 March 2017	136p

Directors' Report

	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	Vesting Period	Exercisable Period	Exercise Price
Ying Kan Man	100,000	—	—	—	—	—	100,000	20 April 2005	3 years	From 20 April 2008 to 19 April 2015	34.5p
	800,000	—	—	—	—	—	800,000	4 October 2006	1 year	From 4 October 2007 to 3 October 2016	64.25p
	200,000	—	—	—	—	—	200,000	29 March 2007	1 year	From 29 March 2008 to 28 March 2017	136p
Chong Khing Chung	72,500	—	—	—	—	—	72,500	29 March 2007	1 year	From 29 March 2008 to 28 March 2017	136p
General Dato'Seri Mohd Azumi (rtd)	200,000	—	—	—	—	—	200,000	4 October 2006	1 year	From 4 October 2007 to 3 October 2016	64.25p
	6,947,500	—	—	—	—	—	6,947,500				
Other employees											
In aggregate	950,000	—	(865,000) (Note 1)	(50,000)	—	—	35,000	20 April 2005	3 years	From 20 April 2008 to 19 April 2015	34.5p
	200,000	—	—	(200,000)	—	—	—	4 October 2006	1 year	From 4 October 2007 to 3 October 2016	64.25p
	3,072,500	—	(400,000) (Note 2)	(70,000)	—	(125,000)	2,477,500	29 March 2007	1 year	From 29 March 2008 to 28 March 2017	136p
	11,170,000	—	(1,265,000)	(320,000)	—	(125,000)	9,460,000				

1. The weighted average closing price before the date of exercise for share options exercised was HK$19.26
2. The weighted average closing price before the date of exercise for share options exercised was HK$16.00

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.

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

The number of share 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 employee 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 will 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 but the rules 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 share 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. Participant of the Post Listing Scheme comprise Directors (including executive Directors and 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 17,896,356 shares, representing 6.54% of the issue 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 that 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 2009 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 of any person engaged in the full time employment of the Company) were entered into or existed during the year.

Purchase, sale or redemptions of the Company's listed securities

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 2009.

Placing of new Shares

On 28 September 2009, the Company announced a "best efforts" placing of 20,000,000 new ordinary shares in the Company at a price of HK$9.69 per share to not less than six independent individual, institutional or other professional investors. The net price for each placing share is approximately HK$9.45. The closing price of the Share on 28 September 2009 being the date on which the placing agreement was entered into was HK$9.95 on the HKSE and 85 pence on the AIM.

One of the reasons for conducting the placing was to introduce more shares to the market and to improve liquidity. The net proceeds from the placing were intended to be used for potential expansion into government sector projects, the Group's research and development operations and the Group's potential operation expansion into the Southeast Asia, the Middle East and PRC markets.

All 20,000,000 placing shares were placed and the placing was completed on 8 October 2009.

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 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 respective 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, there was no connected transaction required to be reported.

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 37.

Charitable contributions

While focusing on our business, the Group is committed to contributing to the society. Donations were made to several charitable organisations to be distributed to people in needs. Previously, the company had showed the care to the victims of the disasters happened in China during 2008 including the Sichuan Earthquake and the snowstorm. RCG received the "China Red Cross Humanitarian Service Award" as recognition to its continual support to Corporate Social Responsibility projects.

During the year under review, the Group made charitable contribution totaling HK$50,000 (2008: HK$654,515).

Auditors

The financial statements for the year ended 31 December 2009 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
Raymond Chu Wai Man
Chairman

24 March 2010

First Mover Advantage

RCG delivered innovative and unique solutions to the industry which creates customers retention and a first mover advantage to the Group, ahead of the industry and market trends

Corporate Governance Report

The information set out on pages 31 to 37 and information incorporated by reference constitutes the Corporate Governance Report of the Company.

During the year ended 31 December 2009, 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 has complied with the CCG since its listing on the HKSE on 10 February 2009, except the deviation from provision A.2.1 as described in the following paragraphs.

The Board

The Board meets four times a year at approximately quarterly intervals 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 2009, there were eight Board members consisting of four executive Directors and four independent non-executive Directors.

Executive Directors:
Raymond Chu Wai Man *(chairman)*
Chau Pak Kun
(re-designated from an executive Director to a non-executive Director on 11 February 2010)
Dato' Lee Boon Han
Ying Kan Man

Independent Non-executive Directors:
General Dato' Seri Mohd Azumi (rtd)
(re-designated from an independent non-executive Director to a non-executive Director on 11 February 2010)
Liu Kwok Bond
(re-designated from a non-executive Director to an independent non-executive Directors on 2 February 2009)
Jonathan Michael Caplan QC
(re-designated from a non-executive Director to an independent non-executive Directors on 2 February 2009)
Li Mow Ming Sonny
(appointed on 19 January 2009)

As at the date of the report, there were ten Board members consisting of four executive Directors, two non-executive Directors and four independent non-executive Directors:

Executive Directors:
Raymond Chu Wai Man *(Chairman)*
Dato' Lee Boon Han
Ying Kan Man
Chong Khing Chung
(appointed on 11 February 2010)

Non-executive Directors:
General Dato' Seri Mohd Azumi (rtd)
(re-designated from an independent non-executive Director to a non-executive Director on 11 February 2010)
Chau Pak Kun
(re-designated from an executive Director to a non-executive Director on 11 February 2010)

Independent Non-executive Directors:
Liu Kwok Bond
(re-designated from a non-executive Director to an independent non-executive Directors on 2 February 2009)
Jonathan Michael Caplan QC
(re-designated from a non-executive Director to an independent non-executive Directors on 2 February 2009)
Li Mow Ming Sonny
(appointed on 19 January 2009)
Pieter Lambert Diaz Wattimena
(appointed on 25 March 2010)

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 of the Company.

Throughout the year, four Board meetings were held. Details of the attendance of the Directors are as follows:

Names of the Directors	Directors' Attendance
Executive Directors:	
Raymond Chu Wai Man	4/4
Dato' Lee Boon Han	4/4
Ying Kan Man	4/4
Chong Khing Chung (appointed on 11 February 2010)	0/0
Non-executive Directors:	
General Dato' Seri Mohd Azumi (rtd)	4/4
Chau Pak Kun	4/4
Independent Non-executive Directors:	
Liu Kwok Bond	4/4
Jonathan Michael Caplan QC	4/4
Li Mow Ming Sonny	4/4
Pieter Lambert Diaz Wattimena (appointed on 25 March 2010)	0/0

Chairman and Chief Executive Officer

Under provision A.2.1 of the Code, the roles of the Chairman and the chief executive officer (the "CEO") should be separated and should not be performed by the same individual. During the year, the roles of the Chairman and the CEO were performed by Mr. Raymond Chu Wai Man. The Board meets regularly to consider issues related to corporate matters affecting operations of the Group. The Board considers the structure will not impair the balance of power and authority of the Board and the Company's management thus believes this structure enables effective planning and implementation of corporate strategies and decisions.

On 11 February 2010, Mr. Raymond Chu Wai Man has stepped down as the CEO and Dato' Lee Boon Han was appointed as the CEO.

Independent Non-executive Directors

In compliance with Rule 3.10(1) of the Hong Kong Listing Rules, there are four independent non-executive Directors representing one-third of the Board. Among the four independent non-executive Directors, one has appropriate professional qualification in accounting or related financial management expertise as required by Rule 3.10(2) of the Hong Kong Listing Rules. The Company has received from each of its independent non-executive Directors the written confirmation of his independence pursuant to Rule 3.13 of the Hong Kong Listing Rules. The Company, based on such confirmations, considers Mr. Liu Kwok Bond, Mr. Jonathan Michael Caplan QC, Mr. Li Mow Ming Sonny and Mr. Pieter Lambert Diaz Wattimena independent.

Directors' Appointment, Re-election and Removal

Each of executive Directors has entered into a service contract with the Company for an initial term of two years commencing from 10 February 2009, except that of Mr. Chong Khing Chung as he was appointed as an executive Director on 11 February 2010.

Each of independent non-executive Directors has entered into a formal appointment letter with the Company for a term expiring on 31 January 2011 except for Mr. Pieter Lambert Diaz Wattimena whose term expiring on 24 March 2011, subject to termination by either party giving the other not less than three months' prior written notice.

In accordance with Bye-law 87(1) of the Company's Bye-laws, all Directors (including executive Directors, non-executive Directors and independent non-executive Directors) are subject to retirement by rotation at least once every three years. This year, in accordance with the Bye-law 87(1) of the Company's Bye-laws, Mr. Raymond Chu Wai Man, Mr. Ying Kan Man and General Dato' Seri Mohd Azumi (rtd) will retire and will seek re-election at the forthcoming AGM of the Company.

In accordance with Bye-law 86(2) of the Company's Bye-laws, any Director appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. Mr. Chong Khing Chung and Mr. Pieter Lambert Diaz Wattimena will retire and being eligible, put themselves up for re-election at the forthcoming AGM.

Board Meetings and Board Practices

The Board regularly meets at least four times a year and also meets on other occasions when a board-level decision on a particular matter is required. The company secretary of the Company (the "Company Secretary") will assist the Chairman to prepare the agenda of meetings and each Director may request to include any matters in the agenda. The Company Secretary is responsible for distributing detailed documents to Directors prior to the meetings of the Board to ensure that the Directors are able to make informed decisions regarding the matters to be discussed in the meetings so that they may receive accurate, timely and clear information. All Directors may access the advice and services of the Company Secretary who regularly updates the Board on governance and regulatory matters. All Directors will also be provided with sufficient resources to discharge their duties, and upon reasonable request, the Directors will be able to seek independent professional advice in appropriate circumstances, at the Company's expense. The Company Secretary is also responsible for ensuring the procedures of the Board meetings are observed and providing the Board with opinions on matters in relation to the compliance with the procedures of the Board meetings. All minutes of Board meetings were recorded in sufficient detail the matters considered by the Board and decisions reached.

Delegation of Powers

The Board delegates day-to-day operations of the Group to executive Directors and management of the Company with department heads responsible for different aspects of the business/functions, while reserving certain key matters in making strategic decision for its approval. When the Board delegates aspects of its management and administration functions to management, it gives clear directions as to the powers of management, in particular, with respect to the circumstances where management need to report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

Board committees

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

Remuneration Committee

The Company established a remuneration committee (the "Remuneration Committee") on 28 June 2004 with written terms of reference, which was revised on 2 February 2009, in compliance with the CCG. The Remuneration Committee constitutes Mr. Liu Kwok Bond, an independent non-executive Director, acting as Chairman of the Remuneration Committee and General Dato' Seri Mohd Azumi (rtd), a non-executive Director (redesignated from independent non-executive Director as of 11 February 2010), and Mr. Li Mow Ming Sonny, an independent non-executive Director, as members.

The primary functions of the Remuneration Committee are to make recommendations to the Board on remuneration of Directors and senior management and determine on behalf of the Board specific remuneration packages and conditions of employment for executive Directors and senior management. 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 of the Company 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' Report on page 21 to 29.

During the year under review, one meeting was held to review the remuneration packages of all the Directors and the senior management. The attendance records for the Remuneration Committee meeting are as follows:

Names of the members	Members' Attendance
Liu Kwok Bond	1/1
General Dato' Seri Mohd Azumi (rtd)	1/1
Li Mow Ming Sonny	1/1

Nomination Committee

The Company established a nomination committee (the "Nomination Committee") on 28 June 2004 with written terms of reference, which was revised on 2 February 2009, in compliance with the CCG. The Nomination Committee constitutes General Dato' Seri Mohd Azumi (rtd), a non-executive Director (redesignated from independent non-executive Director as of 11 February 2010), as Chairman of the Nomination Committee with Mr. Jonathan Michael Caplan QC and Mr. Liu Kwok Bond, independent non-executive Directors, as members.

The Nomination Committee makes recommendation to the Board on potential 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.

During the year under review, one meeting was held to review the structure, size and composition of the Board, assess the independence of independent non-executive Directors, and make recommendations to the Board relating the re-designation and appointment of the Directors. The attendance records for the Nomination Committee meeting are as follows:

Names of the members	Members' Attendance
General Dato' Seri Mohd Azumi (rtd)	1/1
Jonathan Michael Caplan QC	1/1
Liu Kwok Bond	1/1

Audit Committee

The Company established an audit committee (the "Audit Committee") on 28 June 2004 with written terms of reference, which was revised on 2 February 2009, in compliance with the CCG. The Audit Committee constitutes Mr. Li Mow Ming Sonny, an independent non-executive Director, as Chairman of the Audit Committee with General Dato' Seri Mohd Azumi (rtd), a non-executive Director (redesignated from independent non-executive Director as of 11 February 2010), and Mr. Jonathan Michael Caplan QC, an independent non-executive Director, as members.

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2009 and the interim financial statements for the six months ended 30 June 2009, including the accounting principles and practices adopted by the Group.

During the year under review, the Audit Committee has performed its primary responsibility for monitoring the quality of internal control and financial reporting process and ensuring that the performance of the Company's auditor relating to the Company's accounting and auditing matters are of good quality. The Audit Committee has held meetings with the Company's auditor to discuss the auditing, internal control and financial reporting matters of the Company.

During the year under review, two meetings were held. The attendance records for the Audit Committee meeting are as follows:

Names of the members	Members' Attendance
Li Mow Ming Sonny	2/2
General Dato' Seri Mohd Azumi (rtd)	2/2
Jonathan Michael Caplan QC	2/2

Executive Committee

The executive committee of the Company (the "Executive Committee") was established on 1 August 2008 with written terms of reference 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. Mr. Raymond Chu Wai Man, the chairman of the Board, is the Chairman of the Executive Committee and Dato' Lee Boon Han, Ying Kan Man and Ms. Chau Pak Kun (redesignated as a non-executive Director as of 11 February 2010), all executive Directors and Chong Khing Chung, chief financial officer (an executive Director as of 11 February 2010), are the members of the Executive Committee.

Auditor's Remuneration

For the year ended 31 December 2009, the remuneration in respect of audit services and non-audit service assignment provided by the auditor of the Company, HLB Hodgson Impey Cheng, amounted to HK$3,693,000 and Nil respectively.

Directors' and Auditor's Responsibility for the Financial Statements

The Board acknowledges its responsibility to prepare the Group's financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2009, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The reporting responsibility of the external auditor of the Company on the financial statements of the Company for the year ended 31 December 2009 are set out in the Independent Auditor's Report.

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 Board is 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 organisational 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 conducts 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.

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 (the "Model Code") as set out in Appendix 10 of the Hong Kong Listing Rules as its own code of conduct regarding securities transactions by the Directors on 2 February 2009. Having made specific enquiry, the Company confirmed that all Directors have complied with the required standard set out in the Model Code for the year under review.

Full Operational Support

RCG's operational headquarter in Malaysia has facilitated the Group's business development and helped to achieve long-term cost saving

Directors, Senior Management and Staff

Executive Directors

Raymond Chu Wai Man

Chairman

Mr. Raymond Chu Wai Man, aged 47, joined the Group in 1999 as a founder. He was the chairman and chief executive officer of the Company. He stepped down from his position as the chief executive officer of the Company on 11 February 2010 and remains as the Chairman. He is responsible for the overall direction and strategy of the Group and guiding its performance, management and financial matters.

Mr. Chu garnered 10 years of experience in property and corporate finance matters. He joined the law firm Kao Lee & Yip in 1987 and became a partner in 1990, where he worked for a total of 10 years. 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.

As at the latest practicable date, Mr. Raymond Chu Wai Man had an interest in a total of 22,052,211 Shares within the meaning of Part XV of the SFO, 3,552,211 of which are his personal interest including options held by him and 18,500,000 of which are Shares held by Full Future Group Limited. Mr. Chu holds the entire issued share capital of Full Future Group Limited and is therefore deemed interested in all Shares held by it. Mr. Chu does not have any relationship with any director, senior management or substantial or controlling shareholder of the Company.

Dato' Lee Boon Han

Chief Executive Officer

Dato' Lee Boon Han, aged 40, is the founder of UCH which was acquired by the Group in December 2006. He joined the Group in December 2006 and was the deputy chief executive officer of the Group. Dato' Lee was promoted to chief executive officer on 11 February 2010, responsible for the Group's global business development, operation, and management.

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.

Ying Kan Man

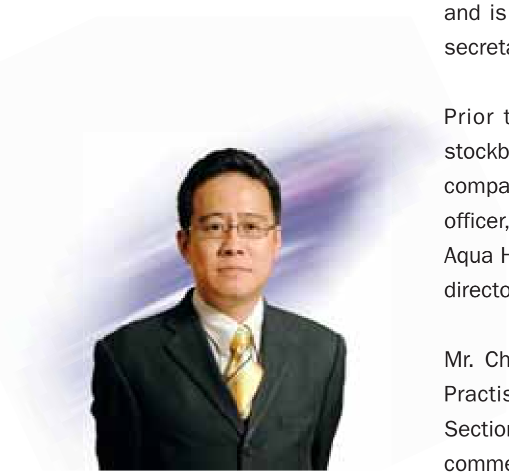
Acting Chief Operating Officer

Mr. Ying Kan Man, aged 35, 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 was appointed as the acting chief operating officer on 11 February 2010, principally responsible for the Group's business development and operation.

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. He was an executive director of UURG Corporation Limited, a company listed on the HKSE, during the period between 30 August 2008 and 12 January 2010. Mr. Ying obtained a degree of bachelor of business administration at the Chinese University of Hong Kong in 1997.

Chong Khing Chung

Chief Financial Officer



Chong Khing Chung, aged 42, is the Group's chief financial officer. He joined the Group in 2007 and is responsible for the Group's financial planning, treasury, corporate finance and company secretarial matters. Mr. Chong was appointed as an executive director on 11 February 2010.

Prior to joining the Group, Mr. Chong garnered 20 years of experience in accountancy, stockbroking, plantation and electronics industry. He has worked with numerous publicly quoted companies in both Malaysia and Singapore in various capacities, including as chief financial officer, executive director and company secretary. He is currently serving on the Board of Borneo Aqua Harvest Berhad, a company listed on the Bursa Malaysia, as its independent non-executive director and chairman of its audit committee.

Mr. Chong is a Chartered Member of the Malaysian Institute of Accountants and a Certified Practising Accountant of CPA Australia. He is also an accredited company secretary under Section 139A(b) of the Malaysian Companies Act 1965. He obtained his bachelor's degree in commerce from University of Western Australia in 1990.

Non-executive Directors

General Dato' Seri Mohd Azumi (rtd)

Deputy Chairman

General Dato' Seri Mohd Azumi (rtd), aged 61, was appointed as a non-executive Director on 20 September 2006 and was subsequently appointed as an independent non-executive Director on 2 February 2009. He was appointed as the deputy chairman and re-designated as a non-executive director; on 11 February 2010.

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 (rtd) 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 was an independent non-executive director of UURG Corporation Limited, a company listed on the HKSE, during the period between 30 August 2008 and 12 January 2010. General Dato' Seri Mohd Azumi (rtd) also holds a Graduate Diploma in Strategy accredited by the Australian National Accreditation Agency.

Chau Pak Kun

Ms. Chau Pak Kun, aged 37, joined the Group in 1999 as a founder. She was the deputy Chairman and chief operating officer of the Company. She was re-designated as a non-executive Director on 11 February 2010.

Ms. Chau 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.

Independent Non-executive Directors

Liu Kwok Bond

Mr. Liu Kwok Bond, aged 54, was appointed as a non-executive Director of the Company on 27 April 2004 and was subsequently appointed 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.

Jonathan Michael Caplan

Mr. Jonathan Michael Caplan, aged 59, was appointed as a non-executive Director on 23 July 2008 and was subsequently appointed 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 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.

Li Mow Ming, Sonny

Mr. Li Mow Ming, Sonny, aged 51, was appointed as an independent non-executive Director on 19 January 2009. Mr. Li was previously 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. He was also 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.

Pieter Lambert Diaz Wattimena

Mr. Pieter Lambert Diaz Wattimena, aged 60, was appointed as an independent non-executive Director on 25 March 2010.

Mr. Diaz Wattimena dedicated over 30 years of career to the Indonesian Air Force and government, including appointments as Chief of 2nd Operation Command Expert in Makasar in 1997, Expert Staff of Air Force Chief of Staff at Headquarter of Air Force in 1999, Head on Duty, Air Force Flying Safety and Work in Indonesian Air Force in 2000 and Director General of Defense Facility and Procurement in 2005. He was also appointed as a Member of House of Representative/House of Parliament of Republic of Indonesia from Indonesia National Army/Police fraction from 1999 to 2004.

To date, Mr. Pieter Lambert Diaz Wattimena is still acts as an adviser to national organisations such as Federation of Indonesia Labour Association for Metals, Electronics and Machines and the Research Center of Political Communication and Social Society “Institut Lembang Sembilan”. He graduated from the Air Force Academy in 1972, holds a bachelor degree of political science from Universitas Terbuka and currently enrolled in the Institute of Business of Law and Management.

Save as disclosed above, none of the Directors above are related to each other, senior management or substantial or controlling shareholders of the Company

Senior Management

Dr. Sri Hartati Kurniawan

Chief Technology Officer

Dr. Sri Hartati Kurniawan, aged 34, 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 research and development team. She has extensive experience in technology investment and management for commercialisation with rich expertise in research and development conducted for industry and government sponsored projects.

Dr. Kurniawan holds a Master of Science degree and a Doctor of Philosophy degree in Industrial Engineering and Engineering Management from the Hong Kong University of Science and Technology.

Ng Sow Hua Steven

Chief Representative of RCG Malaysia

Ng Sow Hua Steven, aged 41, is the general manager of RCG Malaysia. He joined the Group in May 2006 and leads a dynamic team of sales and marketing and assisting overall operations in Malaysia. He has vast experience and expertise in sales planning and marketing strategies as well as his proven ability to motivate and drive sales personnel. Mr. Ng was educated in Malaysia and has over 15 years of experience in the technology industry.

Nancy Chan

Chief Representative of RCG China

Nancy Chan, aged 41, is the senior vice president of RCG China and the chief representative of RCG Beijing regional office. She joined the Group in February 2006 and is responsible for the Group's business development programme in the PRC. She has previously worked as sales manager for a electrical appliance manufacturer based in Hong Kong and as chief translator and editor of Japanese to English translations for a leading translation and interpreting agency in Canada. Ms. Chan received degrees of Bachelor of Arts degree in Japanese from the University of British Columbia, Canada and a Master of Arts degree in Japanese interpreting and translation from the University of Queensland, Australia.

Chew Tean Danny

Chief Representative of RCG ME

Chew Tean Danny, aged 37, is a director of RCG ME and the chief representative of 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 business development. Mr. Chew received a double major degree in Marketing and Business Administration from the University of Strathclyde in Glasgow, Scotland, in 1995.

Company Secretary

Mr. Lo Wah Wai

Lo Wah Wai, aged 46, holds a Bachelor's degree in Business Administration from the Chinese University of Hong Kong and a Master's degree in Science from the New Jersey Institute of Technology, the United States. He is a practicing member of the Hong Kong Institute of Certified Public Accountants and is a member of the American Institute of Certified Public Accountants.

Human Resources

Issues related to human resources has been addressed in the subsection titled "Human Resources" under the section of Management Discussion and Analysis on page 19.

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.

Independent Auditors' Report

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

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
RCG HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of RCG Holdings Limited (the "Company") set out on pages 48 to 106, which comprise the consolidated and company balance sheets as at 31 December 2009, 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 Consolidated Financial Statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 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 consolidated 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 consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the consolidated 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, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 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, 24 March 2010

Consolidated Income Statement

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Turnover	6	2,450,162	2,002,353
Cost of sales		(1,203,423)	(943,731)
Gross profit		1,246,739	1,058,622
Other operating income	7	2,202	19,334
Selling and distribution costs		(198,137)	(96,851)
Administrative expenses		(400,056)	(362,494)
Profit from operations	8	650,748	618,611
Finance costs	10	(5,875)	(5,235)
Profit before taxation		644,873	613,376
Income tax credit/(expense)	11	46	(2,274)
Profit for the year		644,919	611,102
Attributable to:			
Owners of the Company		636,048	622,268
Non-controlling interests		8,871	(11,166)
		644,919	611,102
Earnings per share attributable to the owners of the Company			
— Basic (HK cents)	12	252.4	268.5
— Diluted (HK cents)	12	251.3	267.5
Proposed final dividend per share	13	–	HK$0.165

All of the Group's activities are classified as continuing operations.

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Profit for the year		**644,919**	611,102
Other comprehensive income for the year (after tax and reclassification adjustments):			
Exchange difference arising from translation of investments in foreign subsidiaries		**50,969**	(68,735)
		50,969	(68,735)
Total comprehensive income for the year		**695,888**	542,367
Attributable to:			
Owners of the Company		**687,017**	553,533
Non-controlling interests		**8,871**	(11,166)
		695,888	542,367

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**206,467**	187,736
Prepaid lease payments	15	**17,726**	17,791
Goodwill	16	**175,120**	173,570
Intangible assets	17	**1,301,651**	1,275,689
Available-for-sale financial assets	18	**135,000**	—
		1,835,964	1,654,786
Current assets			
Prepaid lease payments	15	**185**	183
Inventories	20	**524,119**	294,034
Trade receivables	21	**801,827**	500,281
Deposits, prepayments and other receivables	22	**754,694**	407,277
Cash at bank and in hand	23	**312,146**	320,319
		2,392,971	1,522,094
Assets classified as held for sale	24	**11,735**	—
		2,404,706	1,522,094
Total assets		**4,240,670**	3,176,880
EQUITY			
Owners of the Company			
Share capital	25	**2,736**	2,323
Reserves		**3,699,001**	2,679,008
		3,701,737	2,681,331
Non-controlling interests		**181,616**	199,770
Total equity		**3,883,353**	2,881,101

	Notes	2009 HK$'000	2008 HK$'000
LIABILITIES			
Non-current liabilities			
Interest-bearing borrowings	27	**49,660**	—
Obligations under finance leases	28	**174**	649
Deferred tax liabilities	29	**1,545**	4,897
		51,379	5,546
Current liabilities			
Trade payables	30	**79,983**	73,493
Accruals and other payables	31	**18,080**	24,468
Tax payables		**1,831**	637
Interest-bearing borrowings	27	**205,568**	191,034
Obligations under finance leases	28	**476**	601
		305,938	290,233
Total liabilities		**357,317**	295,779
Total equity and liabilities		**4,240,670**	3,176,880
Net current assets		**2,098,768**	1,231,861
Total assets less current liabilities		**3,934,732**	2,886,647

The consolidated financial statements were approved and authorised for issue by the board of directors on 24 March 2010 and signed on its behalf by:

Dato' Lee Boon Han
Executive Director

Chong Khing Chung
Executive Director

The accompanying notes form an integral part of these consolidated financial statements.

Company Balance Sheet

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	4	10
Investments in subsidiaries	19	437	9,817
		441	9,827
Current assets			
Amounts due from subsidiaries	19	1,610,097	1,343,251
Deposits, prepayments and other receivables	22	681	504
Cash at bank and in hand	23	8,061	14,622
		1,618,839	1,358,377
Total assets		1,619,280	1,368,204
EQUITY			
Share capital	25	2,736	2,323
Reserves	26	1,596,231	1,307,312
Total equity		1,598,967	1,309,635
LIABILITIES			
Current liabilities			
Amount due to a subsidiary	19	16,188	50,573
Accruals and other payables	31	4,125	7,996
Total liabilities		20,313	58,569
Total equity and liabilities		1,619,280	1,368,204
Net current assets		1,598,526	1,299,808
Total assets less current liabilities		1,598,967	1,309,635

The financial statements were approved and authorised for issue by the board of directors on 24 March 2010 and signed on its behalf by:

Dato' Lee Boon Han
Executive Director

Chong Khing Chung
Executive Director

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to owners 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$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
As at 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
Total comprehensive 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 and 1 January 2009	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
Total comprehensive income for the year	—	—	—	—	—	50,969	—	—	636,048	—	687,017	8,871	695,888
Exercise of options	12	13,671	—	(4,232)	—	—	—	—	—	—	9,451	—	9,451
Lapse of share options	—	—	—	(1,503)	—	—	—	—	1,503	—	—	—	—
Issue of shares	150	134,850	—	—	—	—	—	—	—	—	135,000	—	135,000
Placing of shares	200	193,600	—	—	—	—	—	—	—	—	193,800	—	193,800
Cost of issue of new shares	—	(4,862)	—	—	—	—	—	—	—	—	(4,862)	—	(4,862)
Scrip dividends	57	38,341	—	—	—	—	—	—	2	(38,400)	—	—	—
Dividends paid	—	—	—	—	—	—	—	—	—	—	—	(32,561)	(32,561)
Cancellation of treasury shares	(6)	(6,490)	6,496	—	—	—	—	—	—	—	—	—	—
Incorporation of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	5,536	5,536
As at 31 December 2009	**2,736**	**1,597,158**	**—**	**31,126**	**(872)**	**(4,187)**	**83,577**	**48**	**1,992,151**	**—**	**3,701,737**	**181,616**	**3,883,353**

Consolidated Cash Flow Statement

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Cash flows from operating activities			
Profit before taxation		**644,873**	613,376
Amortisation of intangible assets	17	**144,093**	96,369
Amortisation of prepaid lease payments	15	**218**	185
Depreciation	14	**29,703**	26,824
Loss on disposal of property, plant and equipment		**167**	253
Share-based payment expenses	39	**—**	6,535
Gain on disposal of subsidiaries		**—**	(28)
Provision of obsolescent inventories		**1,675**	1,191
Impairment loss on trade receivables	21	**25,980**	1,808
Bank interest income	7	**(1,558)**	(18,805)
Write-off of property, plant and equipment		**1,229**	79
Interest expenses on interest-bearing borrowings and bank overdrafts	10	**5,042**	4,023
Operating cash flows before movements in working capital		**851,422**	731,810
Increase in inventories		**(231,760)**	(150,280)
Increase in trade receivables		**(327,526)**	(84,904)
Increase in deposits, prepayments and other receivables		**(139,984)**	(170,597)
Increase in trade payables		**6,490**	41,423
(Decrease)/increase in accruals and other payables		**(7,491)**	13,490
Cash generated from operations		**151,151**	380,942
Bank interest income received	7	**1,558**	18,805
Income tax paid		**(2,065)**	(4,273)
Net cash generated from operating activities		**150,644**	395,474
Cash flows from investing activities			
Purchases of property, plant and equipment	14	**(60,949)**	(56,709)
Deposits received for disposal of property, plant and equipment		**1,103**	—
Deposits paid for acquisition of available-for-sale financial assets		**(140,000)**	—
Deposits paid for acquisition of property, plant and equipment		**(67,433)**	—
Investment in intangible assets	17	**(171,025)**	(102,145)
Net cash paid for acquisition of a subsidiary	33	**—**	(614,823)
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		**367**	—
Net cash used in investing activities		**(437,937)**	(801,412)

	Notes	2009 HK$'000	2008 HK$'000
Cash flows from financing activities			
Interest expenses paid on interest-bearing borrowings and bank overdrafts	10	**(5,042)**	(4,023)
Interest-bearing borrowings received		**260,748**	191,034
Interest-bearing borrowings repaid		**(196,554)**	(32,312)
Acquisition of treasury shares		**—**	(5,649)
Capital contribution from minority shareholders		**5,536**	—
Cost of issue of new shares		**(4,862)**	—
Proceeds from exercise of options		**9,451**	—
Proceeds from placing of shares		**193,800**	—
Proceeds from inception of obligations under finance leases		**—**	484
Repayment of obligations under finance leases		**(600)**	(667)
Dividends paid		**(32,561)**	(19,207)
Net cash generated from financing activities		**229,916**	129,660
Net decrease in cash and cash equivalents for the year		**(57,377)**	(276,278)
Cash and cash equivalents at beginning of the year		**320,319**	651,290
Effect of foreign exchange rate changes		**49,204**	(54,693)
Cash and cash equivalents at end of the year	23	**312,146**	320,319
Analysis of the balances of cash and cash equivalents:			
Cash at bank and in hand		**312,146**	320,319

Notes to the Financial Statements

For the year ended 31 December 2009

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 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 Lot 1, Jalan Teknologi 3/5, Taman Sains Selangor 1, Kota Damansara, Petaling Jaya, Selangor, Malaysia.

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 1 (Revised)	Presentation of Financial Statements
IAS 23 (Revised)	Borrowing Costs
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
IFRSs (Amendments)	Improvements IFRSs
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2 (Amendment)	Vesting Conditions and Cancellations
IFRS 8	Operating Segments
IFRS 7 (Amendments)	Financial Instruments: Disclosures: Improving disclosures about financial instruments
IFRIC 13	Customer Loyalty Programmes
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation

IAS 1 (Revised) *Presentation of Financial Statements* prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

2. Application of New and Revised International Financial Reporting Standards (Continued)

IAS 27 (Amendments) *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009 all dividends receivables from subsidiaries, associates and joint controlled entities, whether out of pre- or post-acquisition profits will be recognised in the company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivables in the current or future periods and previous periods have not been restated.

IFRSs (Amendments) *Improvements IFRSs* comprise a number of minor and non-urgent amendments to a range of IFRSs. These amendments do not have a material impact on the Group's financial statements.

IFRS 2 (Amendment) *Vesting Conditions and Cancellations* clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amended standard does not have a material impact on the Group's financial statements.

IFRS 8 *Operating Segments* replaces IAS 14 *Segment Reporting*. It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. These financial statements have been prepared under the new requirement.

IFRS 7 (Amendments) *Financial Instruments: Disclosures: Improving disclosures about financial instruments* increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 31 December 2009.

IAS 23 (Revised) *Borrowing Costs* has no material impact on the Group's financial statements as the amendments and interpretations were consistent with policies already adopted by the Group. IAS 32 & 1 (Amendments) *Puttable Financial Instruments and Obligations Arising on Liquidation*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate* and IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* are effective in this accounting period but are not relevant to the Group's operation.

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.

IAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
IAS 39 (Amendment)	Eligible Hedged Items[1]
IFRS 3 (Revised)	Business Combinations[1]
IFRIC 17	Distribution of Non-cash Assets to Owners[1]
IFRIC 18	Transfers of Assets from Customers[1]

[1] Effective for annual periods beginning on or after 1 July 2009

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 anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

4. Significant Accounting Policies

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards issued by 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 (the "Listing Rules") and by the Hong Kong Companies Ordinance.

(b) Basis of preparation

The financial statements have been prepared under the historical cost basis.

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.

4. Significant Accounting Policies (Continued)

(c) 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.

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Non-controlling 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.

(d) 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.

4. Significant Accounting Policies (Continued)

(e) 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.

(f) 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.

4. Significant Accounting Policies (Continued)

(f) Intangible assets (Continued)

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.

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(q)).

(g) 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.

4. Significant Accounting Policies (Continued)

(g) Revenue recognition (Continued)

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.

(h) 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	$33^1/_3$%
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.

(i) 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.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the cost of purchase on a weighted average 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) Inventories (Continued)

Change in accounting policy

Effective from 1 January 2009, the Group adopts weighted average method to account for the cost of inventories in preparing the consolidated financial statements. Previously, cost was based on the cost of purchase on a first-in, first-out basis. Weighted average cost formula has been used as the directors of the Company are of the view that the change in accounting method would provide more comparable, reliable and relevant information to the readers of the financial statements. The directors of the Company estimate that the change in accounting policy has an immaterial impact on the Group's inventory as at 31 December 2009 and the amounts reported in the prior accounting periods. As such, a prior year adjustment as required by IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* has not been incorporated in the consolidated financial statements.

(k) 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)

(l) 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.

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.

4. Significant Accounting Policies (Continued)

(m) 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.

(n) 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.

4. Significant Accounting Policies (Continued)

(n) Financial instruments (Continued)

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.

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.

(o) 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.

(p) 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.

4. Significant Accounting Policies (Continued)

(p) Leasing (Continued)

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.

(q) 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.

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.

(r) 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.

4. Significant Accounting Policies (Continued)

(s) 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.

(t) 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(e). 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.

(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

The chief operating decision-maker has been identified as the key management. This key management reviews the Group's internal reporting in order to assess performance and allocate resources. Key management has determined the operating segments based on these reports.

The key management considers the business from both a business and geographic perspective. From a business perspective, key management assesses the performance of consumer, enterprise, solutions, projects and services business segments.

— *Consumer* segment focuses principally on residential and personal security products for end-users. Products in this segment include *FxGuard Windows Logon*, *BioMirage Coffer* and *iTrain software*;

— *Enterprise* segment's products 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-model security devices that use facial recognition technology, fingerprint authentication technology, password and RFID; and

— *Solutions, Projects and Services* segment 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.

The key management assesses the performance of the business segments based on a measure of gross profit.

Segment assets include all tangible, intangible assets and current assets with the exception of assets classified as held for sale and other corporate assets. Segment liabilities include trade payables, accruals and other payables except of current and deferred tax liabilities, other corporate liabilities attributable to the individual segments and other borrowings managed directly by the segments.

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

	Consumer		Enterprise		Solutions, Projects and Services		Unallocated		Total	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Turnover — external sales	**807,064**	835,579	**975,593**	824,123	**667,505**	342,651	**—**	—	**2,450,162**	2,002,353
Segment results	**365,066**	357,216	**500,527**	469,803	**381,146**	231,603	**—**	—	**1,246,739**	1,058,622
Unallocated other operating income							**2,202**	19,334	**2,202**	19,334
Unallocated expenses							**(598,193)**	(459,345)	**(598,193)**	(459,345)
Finance costs							**(5,875)**	(5,235)	**(5,875)**	(5,235)
Profit before taxation							**644,873**	613,376	**644,873**	613,376
Income tax credit/(expense)							**46**	(2,274)	**46**	(2,274)
Profit for the year							**644,919**	611,102	**644,919**	611,102
Segment assets	**811,035**	771,101	**1,007,007**	583,132	**1,671,560**	1,309,691	**751,068**	512,956	**4,240,670**	3,176,880
Segment liabilities	**29,377**	27,216	**31,574**	39,972	**19,032**	6,304	**277,334**	222,287	**357,317**	295,779
Other segment information:										
Capital expenditures	**9,600**	6,600	**147,125**	95,545	**14,300**	—	**60,949**	56,709	**231,974**	158,854
Depreciation	**6,339**	6,592	**6,339**	6,592	**—**	—	**17,025**	13,640	**29,703**	26,824
Amortisation of prepaid lease payments	**—**	—	**—**	—	**—**	—	**218**	185	**218**	185
Amortisation of intangible assets	**6,083**	3,865	**18,077**	6,383	**119,933**	86,121	**—**	—	**144,093**	96,369
Other non-cash expenses	**—**	—	**—**	—	**—**	—	**—**	6,535	**—**	6,535

6. Segment Information (Continued)

Revenue from major products and services

The Group's turnover from its major products and services were as follow:

	2009 HK$'000	2008 HK$'000
Consumer products	807,064	835,579
Enterprise products	975,593	824,123
Biometric application	280,716	165,568
RFID solutions	386,789	177,083
	2,450,162	2,002,353

Geographical information

The Group operates in three principal geographical areas—Southeast Asia, Greater China and Middle East. The following tables provide an analysis of the Group's turnover, segment results and other information by geographical areas, irrespective of the origin of the goods and services:

	Turnover		Segment results	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Southeast Asia	1,321,231	1,111,555	605,196	561,471
Greater China	663,494	431,957	417,375	248,877
Middle East	455,884	429,644	219,642	232,473
Others	9,553	29,197	4,526	15,801
	2,450,162	2,002,353	1,246,739	1,058,622

	Segment assets		Segment liabilities		Capital expenditures		Amortisation and depreciation	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Southeast Asia	1,150,577	832,389	113,706	61,673	60,560	51,702	9,486	5,911
Greater China	3,086,150	2,337,637	243,138	232,975	171,396	106,652	164,306	117,281
Middle East	3,943	6,854	473	1,131	18	500	222	186
	4,240,670	3,176,880	357,317	295,779	231,974	158,854	174,014	123,378

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7. Other Operating Income

	2009 HK$'000	2008 HK$'000
Bank interest income	1,558	18,805
Gain on disposal of subsidiaries	—	28
Sundry income	644	501
	2,202	19,334

8. Profit From Operations

The profit from operations is stated after charging:

	2009 HK$'000	2008 HK$'000
Depreciation		
— Owned assets	29,101	26,241
— Assets held under finance leases	602	583
	29,703	26,824
Cost of inventories sold	1,203,423	943,731
Amortisation of prepaid lease payments (note 15)	218	185
Amortisation of intangible assets (note 17)	144,093	96,369
Write-off of property, plant and equipment	1,229	79
Loss on disposal of property, plant and equipment	167	253
Impairment loss on trade receivables	25,980	1,808
Provision of obsolescent inventories	1,675	1,191
Foreign exchange loss	13,256	20,248
Auditors' remuneration	3,693	2,053
Research and development expenses	2,509	15,305
Operating lease rentals in respect of premises	18,619	19,037
Staff costs, including directors' remuneration (note 9)	113,058	111,535

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	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Executive directors:										
Raymond Chu Wai Man	**—**	—	**45,886**	31,954	**12**	12	**—**	866	**45,898**	32,832
Dato' Lee Boon Han	**—**	—	**9,093**	5,967	**—**	—	**—**	270	**9,093**	6,237
Ying Kan Man	**—**	—	**520**	996	**1**	12	**—**	270	**521**	1,278
Chong Khing Chung[4]	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—
	—	—	**55,499**	38,917	**13**	24	**—**	1,406	**55,512**	40,347
Non-executive directors:										
General Dato' Seri Mohd Azumi (rtd)	**350**	240	**—**	—	**—**	—	**—**	—	**350**	240
Chau Pak Kun	**—**	—	**12,643**	7,788	**12**	12	**—**	494	**12,655**	8,294
	350	240	**12,643**	7,788	**12**	12	**—**	494	**13,005**	8,534
Independent non-executive directors:										
Liu Kwok Bond	**240**	240	**—**	—	**—**	—	**—**	—	**240**	240
Jonathan Michael Caplan QC[2]	**360**	172	**—**	—	**—**	—	**—**	—	**360**	172
Li Mow Ming, Sonny[3]	**230**	—	**—**	—	**—**	—	**—**	—	**230**	—
Stephen Lai[1]	**—**	270	**—**	—	**—**	—	**—**	—	**—**	270
Edric Arthur Ackland-Snow[1]	**—**	381	**—**	—	**—**	—	**—**	—	**—**	381
	830	1,063	**—**	—	**—**	—	**—**	—	**830**	1,063
	1,180	1,303	**68,142**	46,705	**25**	36	**—**	1,900	**69,347**	49,944

Notes:

1 Resigned on 10 September 2008
2 Appointed on 23 July 2008
3 Appointed on 19 January 2009
4 Appointed on 11 February 2010

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:

	2009 HK$'000	2008 HK$'000
Salaries and bonus	72,617	51,051
Retirement scheme contribution	191	60
Employee share option benefits	—	2,374
	72,808	53,485

(c) Employee

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

	2009 HK$'000	2008 HK$'000
Wages, salaries and bonus	34,282	45,309
Retirement scheme contribution	3,604	4,669
Welfare	2,364	3,911
Employee share option benefits	—	4,161
	40,250	58,050

(d) Five highest paid individuals

The five highest paid individuals of the Group include 3 (2008: 4) directors of the Company.

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

	2009 HK$'000	2008 HK$'000
Salaries and bonus	69,242	47,533
Retirement scheme contribution	131	48
Employee share option benefits	—	2,020
	69,373	49,601

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

(d) Five highest paid individuals (Continued)

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

	2009	2008
Nil — HK$1,000,000	**2**	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	**—**	—
HK$4,000,001 — HK$5,000,000	**—**	—
HK$5,000,001 — HK$10,000,000	**1**	2
HK$10,000,001 — HK$20,000,000	**1**	—
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

	2009 HK$'000	2008 HK$'000
Bank charges	**833**	1,212
Interests on interest-bearing borrowings and bank overdrafts wholly repayable within five years	**5,042**	4,023
	5,875	5,235

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11. Income Tax Credit/(Expense)

	2009 HK$'000	2008 HK$'000
Current tax:		
– Hong Kong	**—**	—
– Malaysia	**3,063**	1,547
Under provision of tax in the prior years	**196**	8
	3,259	1,555
Deferred tax (Note 29)	**(3,305)**	719
	(46)	2,274

Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the year.

Malaysian Income Tax is calculated at the statutory tax rate of 25% (2008: 26%) 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 25% (2008: 26%) for the year.

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

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

	2009 HK$'000	2008 HK$'000
Profit before taxation	**644,873**	613,376
Tax at domestic tax rates applicable to profits of taxable entities in the countries concerned	**74,206**	64,093
Tax effect of recognised temporary difference	**(3,305)**	719
Revenue not subject to tax	**(117,420)**	(128,540)
Under provision in respect of prior years	**196**	8
Expenses not deductible for taxation purposes	**28,766**	58,900
Tax effect of estimated tax losses not recognised	**17,511**	7,094
	(46)	2,274

12. Earnings Per Share

The calculation of basic earnings per share for the year is based on the Group's profit attributable to the owners of the Company of HK$636,048,000 (2008: HK$622,268,000) and the weighted average number of ordinary shares in issue during the year of 252,004,941 (2008: 231,750,225).

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 the owners of the Company of HK$636,048,000 (2008: HK$622,268,000) and the weighted average number of ordinary shares for the purpose of diluted earnings per share during the year of 253,094,099 (2008: 232,623,157).

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:

	2009	2008
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**252,004,941**	231,750,225
Shares deemed to be issued for no consideration in respect of share options	**1,089,158**	872,932
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**253,094,099**	232,623,157

13. Dividends

The dividends paid in scrip form during the year ended 31 December 2009 was equivalent to HK$38,398,000 (HK$0.165 or 1.50 pences per share) in respect of the final dividends declared for the year ended 31 December 2008. 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 directors of the Company do not recommend the payment of a final dividend in respect of the year ended 31 December 2009 (2008: HK$0.165 or 1.50 pences per share).

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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 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 and 1 January 2009	3,821	9,522	16,911	43,804	3,331	2,000	6,323	65,917	108,478	260,107
Additions	—	—	85	1,927	7	—	354	41	58,535	60,949
Transfer	—	109,045	38,558	20,378	—	—	—	—	(167,981)	—
Reclassified as held for sale	(3,856)	(9,607)	—	—	—	—	—	—	—	(13,463)
Written off	—	—	(2,342)	(1,083)	—	—	(25)	—	—	(3,450)
Disposals	—	—	—	—	(4)	—	(767)	—	—	(771)
Exchange alignment	35	85	(44)	244	1	—	17	—	968	1,306
As at 31 December 2009	**—**	**109,045**	**53,168**	**65,270**	**3,335**	**2,000**	**5,902**	**65,958**	**—**	**304,678**
Accumulated depreciation										
As at 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 and 1 January 2009	—	1,522	8,565	15,815	2,449	1,767	3,003	39,250	—	72,371
Charge for the year	—	895	5,561	8,822	605	233	910	12,677	—	29,703
Reclassified as held for sale	—	(1,728)	—	—	—	—	—	—	—	(1,728)
Written off	—	—	(1,469)	(727)	—	—	(25)	—	—	(2,221)
Disposals	—	—	—	—	—	—	(237)	—	—	(237)
Exchange alignment	—	38	18	240	1	—	26	—	—	323
As at 31 December 2009	**—**	**727**	**12,675**	**24,150**	**3,055**	**2,000**	**3,677**	**51,927**	**—**	**98,211**
Net book value										
As at 31 December 2009	**—**	**108,318**	**40,493**	**41,120**	**280**	**—**	**2,225**	**14,031**	**—**	**206,467**
As at 31 December 2008	3,821	8,000	8,346	27,989	882	233	3,320	26,667	108,478	187,736

The Group's land and buildings with a net book value of approximately HK$108,318,000 (2008: HK$11,821,000) were pledged to secure the interest-bearing borrowings of the Group as at 31 December 2009.

As at 31 December 2009, the net book value of the Group's motor vehicles included an amount of approximately HK$1,234,000 (2008: HK$1,838,000) in respect of assets held under finance leases.

14. Property, Plant and Equipment (Continued)

The Company

	Furniture, fixtures and equipment HK$'000
Cost	
As at 1 January 2008, 31 December 2008 and 1 January 2009	32
Additions	—
As at 31 December 2009	**32**
Accumulated depreciation	
As at 1 January 2008	16
Charge for the year	6
As at 31 December 2008 and 1 January 2009	22
Charge for the year	6
As at 31 December 2009	**28**
Net book value	
As at 31 December 2009	**4**
As at 31 December 2008	10

15. Prepaid Lease Payments

The Group

	2009 HK$'000	2008 HK$'000
Cost		
As at the beginning of the year	**18,307**	18,725
Additions	**—**	—
Exchange alignment	**164**	(418)
As at the end of the year	**18,471**	18,307
Accumulated amortisation		
As at the beginning of the year	**333**	158
Amortisation during the year	**218**	185
Exchange alignment	**9**	(10)
As at the end of the year	**560**	333
Carrying value		
As at the end of the year	**17,911**	17,974

	2009 HK$'000	2008 HK$'000
Land outside Hong Kong held on:		
– Leases of within 1 year	**185**	183
– Leases of later than 1 year and not later than 5 years	**740**	734
– Leases of later than 5 years	**16,986**	17,057
	17,911	17,974
Less: current portion	**(185)**	(183)
	17,726	17,791

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

16. Goodwill

The Group

	2009 **HK$'000**	2008 HK$'000
Cost		
As at the beginning of the year	**173,570**	193,168
Disposal of subsidiaries	**—**	(13,812)
Exchange alignment	**1,550**	(5,786)
As at the end of the year	**175,120**	173,570
Accumulated impairment losses		
As at the beginning of the year	**—**	13,812
Disposal of subsidiaries	**—**	(13,812)
As at the end of the year	**—**	—
Carrying amount		
As at the end of the year	**175,120**	173,570

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

16. Goodwill (Continued)

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

	2009 HK$'000	2008 HK$'000
Hyperstore distribution of IT related products and security equipment	**37,253**	36,923
Computer accessories	**78,496**	77,801
Software development	**59,371**	58,846
	175,120	173,570

The directors of the Company had assessed the recoverable amount of goodwill as at 31 December 2009 and 31 December 2008 by reference to the valuations as at 31 December 2009 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 2009			
Growth rate	4.00–6.00%	4.00–6.00%	4.00–10.00%
Discount rate	13.88%	15.88%	15.88%/16.88%
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%

There was no impairment of goodwill recognised during the year ended 31 December 2009.

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 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 and 1 January 2009	148	174,280	1,199,321	1,373,749
Additions	—	171,025	—	171,025
Exchange alignment	—	(970)	—	(970)
As at 31 December 2009	148	344,335	1,199,321	1,543,804
Accumulated amortisation and impairment				
As at 1 January 2008	148	—	1,543	1,691
Amortisation for the year	—	10,248	86,121	96,369
As at 31 December 2008 and 1 January 2009	148	10,248	87,664	98,060
Amortisation for the year	—	24,160	119,933	144,093
As at 31 December 2009	148	34,408	207,597	242,153
Carrying amounts				
As at 31 December 2009	**—**	**309,927**	**991,724**	**1,301,651**
As at 31 December 2008	—	164,032	1,111,657	1,275,689

17. Intangible Assets (Continued)

The Group (Continued)

Amortisation charge of HK$144,093,000 (2008: HK$96,369,000) for the year is included in administrative expenses in the consolidated income statement.

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 (2008: Nil).

18. Available-For-Sale Financial Assets

The Group

	2009 **HK$'000**	2008 HK$'000
Unlisted equity securities incorporated outside Hong Kong, at cost less accumulated impairment losses	**135,000**	—

As at 31 December 2009, 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 2009, the Group held 15.0% of the equity interest of A-1 Development Inc. ("A-1"), a company incorporated in the British Virgin Islands which involved in provision of exclusive information technology and business processes outsourcing and consultancy services. The directors of the Company do not consider that the Group is able to exert significant influence on A-1 as the other shareholders significantly control the composition of the board of directors of A-1.

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 Valuations Standards, was determined by reference to discounted cash flows using a discount rate of 10.66%. The effective date of the valuation is 31 December 2009.

19. Investments in Subsidiaries

The Company

	2009 HK$'000	2008 HK$'000
Unlisted shares, at cost	**437**	9,817

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

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19. Investments in Subsidiaries (Continued)

The Company (Continued)

Name	Place and date of incorporation or establishment	Ordinary share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held				
Skycomp Technology Sdn. Bhd.	Malaysia 14 September 1999	RM25,000,000	100%	Hyperstore distribution of IT related products and security equipment
UCH Technology Sdn. Bhd.	Malaysia 7 May 1991	RM7,000,000	100%	Manufacturing, assembling and distribution of IT equipment
E-CTAsia Technology Sdn. Bhd.	Malaysia 25 October 2001	RM60,000	100%	Manufacturing, assembling and distribution of IT equipment
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

19. Investments in Subsidiaries (Continued)

The Company (Continued)

Name	Place and date of incorporation or establishment	Ordinary share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held				
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
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
RCG Networks Sdn. Bhd.	Malaysia 13 November 2009	RM5,000,000	51%	Provision of information database for internet solutions

* Wholly-owned foreign enterprises in the PRC.

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20. Inventories

The Group

	2009 HK$'000	2008 HK$'000
Raw materials	**332,283**	100,537
Finished goods and goods for sale	**193,511**	194,688
	525,794	295,225
Less: Provision for obsolescent inventories	**(1,675)**	(1,191)
	524,119	294,034

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

21. Trade Receivables

The Group

	2009 HK$'000	2008 HK$'000
0-30 days	**217,302**	149,074
31-60 days	**218,711**	156,454
61-90 days	**181,726**	131,061
91–180 days	**160,797**	66,143
Over 180 days	**44,816**	—
	823,352	502,732
Impairment loss on trade receivables	**(21,525)**	(2,451)
	801,827	500,281

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

The trade receivables are generally on 30-180 days credit terms.

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$23,291,000 (2008: Nil) 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

	2009 HK$'000	2008 HK$'000
Over 180 days	**23,291**	—

Impaired trade receivables

Impaired trade receivables with a balance of HK$21,525,000 (2008: HK$2,451,000) 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

	2009 HK$'000	2008 HK$'000
91–180 days	**—**	2,451
Over 180 days	**21,525**	—
	21,525	2,451

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22. Deposits, Prepayments and Other Receivables

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Investment deposit	**140,000**	—	**—**	—
Trade deposits	**537,875**	393,683	**—**	—
Prepayments and other deposits	**76,819**	11,150	**681**	504
Other receivables	**—**	2,444	**—**	—
	754,694	407,277	**681**	504

23. Cash at Bank and in Hand

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits with banks and other financial institutions	**258,526**	264,734	**—**	28
Cash at bank and in hand	**53,620**	55,585	**8,061**	14,594
Cash and cash equivalents	**312,146**	320,319	**8,061**	14,622

23. Cash at Bank and in Hand (Continued)

The Group's bank deposits of approximately HK$185,700,000 (2008: 201,392,000) were pledged to secure the interest-bearing borrowings of the Group as at 31 December 2009.

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	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
British Pounds	**180,520**	193,922	**248**	247
Malaysian Ringgit	**98,439**	43,682	**—**	—
US Dollars	**23,655**	75,607	**81**	13,888
Renminbi	**851**	1,809	**115**	115
United Arab Emirates Dirham	**165**	92	**—**	—
Thai Baht	**109**	175	**—**	—
Singaporean Dollars	**156**	20	**20**	20

24. Assets Classified as Held For Sale

The Group

	2009 HK$'000	2008 HK$'000
Freehold land held for sale	**3,856**	—
Buildings held for sale	**7,879**	—
	11,735	—

The Group intends to dispose a parcel of freehold land and building in Malaysia. No impairment loss was recognised on reclassification of the freehold land and building as held for sale as at 31 December 2009.

The Group's freehold land and buildings held for sale with a net book value of approximately HK$11,735,000 (2008: Nil) were pledged to secure the interest-bearing borrowings of the Group as at 31 December 2009 and this pledge will be replaced with the cash consideration to be received by the Group upon completion of the disposal of the freehold land and buildings.

25. Share Capital

		The Group and the Company			
		Number of shares issued		Par value	
		2009	2008	**2009**	2008
	Notes			**HK$'000**	HK$'000
Authorised:					
Ordinary shares of HK$0.01 each		**9,000,000,000**	9,000,000,000	**90,000**	90,000
Issued and fully paid:					
At beginning of the year		**232,267,677**	232,267,677	**2,323**	2,323
Cancellation of treasury shares	(i)	**(657,677)**	—	**(6)**	—
Exercise of share options	(ii)	**1,265,000**	—	**12**	—
Issue of shares	(iii)	**15,000,000**	—	**150**	—
Scrip dividends	(iv)	**5,688,555**	—	**57**	—
Placing of shares	(v)	**20,000,000**	—	**200**	—
At end of the year		**273,563,555**	232,267,677	**2,736**	2,323

The following movements in the Company's authorised and issued share capital took place during the period from 1 January 2008 to 31 December 2009:

(i) By a resolution dated 2 February 2009, the Company resolved to cancel a total of 657,677 treasury Shares.

(ii) By a resolution dated 12 February 2009, the Company resolved to issue a total of 1,000,000 shares of HK$0.01 each to certain option holders following the exercise of 600,000 options from option holders at the exercise price of 34.5 pence each and the exercise of 400,000 options from option holders at the exercise price of 136 pence each for a total cash consideration, before related expenses, of £751,000.

By a resolution dated 23 February 2009, the Company resolved to issue a total of 115,000 shares of HK$0.01 each to certain option holders following the exercise of 115,000 options from option holders at the exercise price of 34.5 pence each for a total cash consideration, before related expenses, of £39,675.

By a resolution dated 6 April 2009, the Company resolved to issue a total of 150,000 shares of HK$0.01 each to certain option holders following the exercise of 150,000 options from option holders at the exercise price of 34.5 pence each for a total cash consideration, before related expenses, of £51,750.

(iii) On 16 April 2009, the Group acquired 15% of equity interest of A-1 Development Inc. ("A-1") for an aggregate consideration of HK$135,000,000, which was satisfied by the allotment and issue of 15,000,000 ordinary shares of the Company.

25. Share Capital (Continued)

(iv) By a resolution dated 21 April 2009, the Company issued and allotted 5,688,555 ordinary shares at HK$6.75 per share in respect of the final scrip dividends for the year ended 31 December 2008.

(v) On 6 October 2009, the Company allotted and issued an aggregate of 20,000,000 shares by way of placing to independent investors at a price of HK$9.69 (78.15 pence) per share. The net proceeds of approximately HK$188,938,000 were used for potential expansion into government sector projects, the Group's research and development operations and the Group's potential operation expansion into Southeast Asia, the Middle East and PRC markets.

26. 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 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 and 1 January 2009	1,228,048	(6,496)	36,861	8,877	1,622	38,400	1,307,312
Exercise of share options	13,671	—	(4,232)	—	—	—	9,439
Lapse of share options	—	—	(1,503)	—	1,503	—	—
Issue of shares	134,850	—	—	—	—	—	134,850
Placing of shares	193,600	—	—	—	—	—	193,600
Cost of issue of new shares	(4,862)	—	—	—	—	—	(4,862)
Scrip dividends	38,341	—	—	—	2	(38,400)	(57)
Cancellation of treasury shares	(6,490)	6,496	—	—	—	—	6
Loss for the year	—	—	—	—	(44,057)	—	(44,057)
As at 31 December 2009	**1,597,158**	**—**	**31,126**	**8,877**	**(40,930)**	**—**	**1,596,231**

26. Reserves (Continued)

The Company (Continued)

Notes:

(a) Share premium and distributable reserves

Under the Company's Bye-Laws or the laws of Bermuda, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

The aggregate amount of distributable reserves, including share premium and retained profits, of the Company as at 31 December 2009 was HK$1,556,228,000 (2008: HK$1,268,070,000).

(b) Employee share-based compensation reserve

It represents value of employee services in respect of share options granted to a director and employees of the Group recognised.

(c) Capital reserve

It represents the difference between the paid-in capital/share capital and share premium of the subsidiaries acquired an the nominal value of the Company's shares issued for the acquisition at the time of group reorganisation prior to its listing on The Stock Exchange of Hong Kong Limited.

27. Interest-Bearing Borrowings

The Group

	2009 HK$'000	2008 HK$'000
On demand or repayable:		
Within one year	**205,568**	191,034
In the second to fifth years, inclusive	**49,660**	—
Total bank borrowings, secured	**255,228**	191,034

The bank borrowings bear interest at rates ranging from 1.78% to 5.64% (2008: 2.05% to 8.50%) per annum.

The Malaysian Ringgit bank borrowings of approximately HK$85,267,000 (2008: HK$31,360,000) were secured by the Group's land and buildings in Malaysia with carrying values of approximately HK$108,318,000 (2008: HK$11,821,000), freehold land and buildings held for sale in Malaysia with a net book value of approximately HK$11,735,000 (2008: Nil) and bank deposits of approximately HK$5,457,000 (2008: Nil).

The pledge of freehold land and buildings held for sale in Malaysia will be replaced with the cash consideration to be received by the Group upon completion of the disposal of the freehold land and buildings.

The Hong Kong Dollars bank borrowings of HK$169,961,000 (2008: HK$159,674,000) were secured by bank deposits of approximately HK$180,243,000 (2008: HK$201,392,000).

28. Obligations Under Finance Leases

The Group

	Minimum lease payments		Present value of minimum lease payments	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**554**	689	**476**	601
In the second to fifth years, inclusive	**208**	761	**174**	649
	762	1,450	**650**	1,250
Less: Future finance charges	**(112)**	(200)	**—**	—
Present value of finance leases	**650**	1,250	**650**	1,250
Less: Amount due for settlement within one year			**(476)**	(601)
Amount due for settlement after one year			**174**	649

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.

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29. Deferred Tax Liabilities

The Group

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

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
As at 1 January 2008	4,362	—	4,362
Charge to income statement *(Note 11)*	719	—	719
Exchange alignment	(184)	—	(184)
As at 31 December 2008 and 1 January 2009	4,897	—	4,897
Credit to income statement *(Note 11)*	(1,805)	(1,500)	(3,305)
Exchange alignment	(47)	—	(47)
As at 31 December 2009	**3,045**	**(1,500)**	**1,545**

30. Trade Payables

The Group

	2009 HK$'000	2008 HK$'000
0-30 days	**29,483**	52,267
31-60 days	**43,159**	12,434
61-90 days	**2,928**	3,018
Over 90 days	**4,413**	5,774
	79,983	73,493

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.

31. Accruals and Other Payables

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accruals	**3,327**	8,665	**2,263**	2,000
Financial guarantee provision	**—**	—	**437**	24
Other payables	**14,753**	15,803	**1,425**	5,972
	18,080	24,468	**4,125**	7,996

32. Disposals of Subsidiaries

During the year ended 31 December 2008, the Group disposed of its entire interests in 2 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.

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

	2009	2008
	HK$'000	HK$'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

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33. Acquisitions of Subsidiaries

During the year ended 31 December 2008, the Group had subscribed 20 new shares of Chance Best Technology Limited ("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 Technology Limited ("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

33. Acquisitions of Subsidiaries (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.

34. 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.

Notes to the Financial Statements
For the year ended 31 December 2009

34. 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 2009 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.

		Contractual undiscounted cash outflow					
	Weighted average effective interest rate	Within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000	Total carrying amount HK$'000
As at 31 December 2009							
Trade payables	—	79,519	—	—	—	79,519	79,519
Accruals and other payables	—	17,988	—	—	—	17,988	17,988
Interest-bearing borrowings	2.54%	212,081	6,916	20,747	31,120	270,864	255,228
		309,588	6,916	20,747	31,120	368,371	352,735
As at 31 December 2008							
Trade payables	—	73,493	—	—	—	73,493	73,493
Accruals and other payables	—	24,468	—	—	—	24,468	24,468
Interest-bearing borrowings	5.40%	201,268	—	—	—	201,268	191,034
		299,229	—	—	—	299,229	288,995

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.

34. 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.

	2009 HK$'000	2008 HK$'000
Change of exchange difference		
Change of foreign currencies exchange rate by 5%:		
British Pounds	9,026	9,696
Malaysian Ringgit	4,922	2,184
US Dollars	1,183	3,780
Renminbi	43	90

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.

	2009 HK$'000	2008 HK$'000
Change of finance costs		
Change of interest rate by 0.5%	1,279	961

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

(b) Fair value estimation

The fair value of financial assets and financial liabilities are determined as follow:

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

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

— 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.

Notes to the Financial Statements
For the year ended 31 December 2009

34. Financial Instruments (Continued)

(b) Fair value estimation (Continued)

Effective 1st January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

— Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

— Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

— Level 3: fair values measured using valuation techniques in which any significant input is not based on observable market data

At 31 December 2009, the Group did not have any financial instruments carried at fair value.

(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.

	2009 **HK$'000**	2008 HK$'000
Total liabilities	**357,317**	295,779
Less: Cash and cash equivalents *(note 23)*	**(312,146)**	(320,319)
Net debt	**45,171**	(24,540)
Total equity	**3,883,353**	2,881,101
Total capital	**3,928,524**	2,856,561

35. Major Non-Cash Transactions

The Group entered into the following non-cash transactions which are not reflected in the consolidated cash flow statement:

— On 16 April 2009, the Group acquired 15% of equity interest of A-1 Development Inc. ("A-1") for an aggregate consideration of HK$135,000,000, which was satisfied by the allotment and issue of 15,000,000 ordinary shares of the Company.

— In 2008, the Group granted share options to its directors and employees as part of the staff remuneration. There was no share-based payment expenses recognised during the year 2009 (2008: HK$6,535,000).

36. Financing Facilities

The Group

	2009 HK$'000	2008 HK$'000
Secured bank borrowings facilities:		
Amount utilised	**255,228**	191,034
Amount unutilised	**61,259**	71,976
	316,487	263,010

37. Contingent Liabilities

The Group

As at 31 December 2009, the Group had no contingent liabilities (2008: Nil).

The Company

The Company had acted as a guarantor of its subsidiaries to secure interest-bearing borrowings, which amounting to approximately HK$85,267,000 (2008: HK$31,360,000) as at 31 December 2009.

The carrying amount of the financial guarantee contract recognised in the balance sheet was approximately HK$437,000 (2008: HK$24,000) as at 31 December 2009. The financial guarantee contract was eliminated on consolidation.

38. 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	
	2009 HK$'000	2008 HK$'000
Within one year	**7,821**	12,569
Within two to five years	**55**	6,559
	7,876	19,128

The Group had entered into product development contracts which give rise to a capital commitment of approximately HK$27,800,000 (2008: HK$28,425,000) as at 31 December 2009.

39. Employee Share-Based Compensation Reserve

	2009 HK$'000	2008 HK$'000
As at the beginning of the year	**36,861**	32,894
Employee share option benefits	**—**	6,535
Exercise/lapse of share options	**(5,735)**	(2,568)
As at the end of the year	**31,126**	36,861

(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 adviser 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 in cash. Staff who had resigned from the Group would forfeit their respective granted share options.

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

	2009		2008	
	Weighted average exercise price per share	Number of options	Weighted average exercise price per share	Number of options
Outstanding as at the beginning of the year	**84.22p**	**11,170,000**	86.66p	11,722,500
Granted	**—**	**—**	—	—
Exercised	**66.59p**	**(1,265,000)**	—	—
Lapsed/forfeited	**92.35p**	**(445,000)**	136.00p	(552,500)
Outstanding as at the end of the year	**86.20p**	**9,460,000**	84.22p	11,170,000

As at 31 December 2009, 9,460,000 (2008: 11,170,000) share options were outstanding with a weighted average exercise price of 86.20 pence (2008: 84.22 pence).

39. Employee Share-Based Compensation Reserve (Continued)

(c) As at 31 December 2009, 9,460,000 (2008: 11,170,000) share options with a weighted average exercise price of 86.20 pence (2008: 84.22 pence) were exercisable.

(d) As at 31 December 2009 and 31 December 2008, outstanding share options have the following remaining contractual lives and exercise prices:

	2009		2008	
Exercise price	Remaining contractual life	Number of options	Remaining contractual life	Number of options
34.50p	5.30 years	1,885,000	6.30 years	2,800,000
64.25p	6.75 years	3,900,000	7.75 years	4,100,000
136.00p	7.25 years	3,675,000	8.25 years	4,270,000
	6.66 years	9,460,000	7.58 years	11,170,000

(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 Variables:	HK$0.44	HK$2.67	HK$2.17	HK$4.80
— 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.

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For the year ended 31 December 2009

40. 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:

	2009 HK$'000	2008 HK$'000
Salaries and bonus	**72,617**	51,051
Retirement scheme contribution	**191**	60
Employee share option benefits	**—**	2,374
	72,808	53,485

(b) As at 31 December 2009, the Company had acted as a guarantor of its subsidiaries to secure interest-bearing borrowings.

(c) As at 31 December 2008, Dato' Lee Boon Han, 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.

41. Subsequent Events

The Group had no significant subsequent events after the balance sheet date.

42. Authorisation for Issue of Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 24 March 2010.

Shareholders Information

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

Shareholders Profile (as at 31 December 2009)

Shareholding (Shares)	Number of Shareholders
1–1,000	111
1,001–5,000	370
5,001–10,000	232
10,001–50,000	279
50,001–100,000	46
100,001–200,000	30
200,001–500,000	25
500,001 and above	32

Shareholders Information

Share Price

The highest and lowest mid-market closing prices at which the Shares were traded and listed on AIM, PLUS and HKSE respectively in each of the previous twelve months immediately prior to the Latest Practicable Date were as follows:

AIM

	High (£)	Low (£)	Month End (£)	Month Average (£)
2009				
March	0.7250	0.4900	0.5550	0.6061
April	0.6500	0.5100	0.5125	0.5700
May	0.7700	0.5050	0.7000	0.6167
June	0.8000	0.6250	0.6250	0.7022
July	0.6450	0.5875	0.5975	0.6147
August	0.6800	0.5650	0.6600	0.6293
September	0.9500	0.6400	0.8350	0.7715
October	0.8975	0.7625	0.8125	0.8426
November	0.8850	0.7775	0.8600	0.8237
December	0.8800	0.7700	0.8025	0.8173
2010				
January	1.0000	0.8150	0.8450	0.8714
February	0.8500	0.5825	0.6900	0.7065
March (up to and including the Latest Practicable Date)	0.8400	0.6800	0.8300	0.7675

PLUS Market

	High (£)	Low (£)	Month End (£)	Month Average (£)
2009				
March	0.7500	0.4975	0.5630	0.6020
April	0.6500	0.5050	0.5279	0.5659
May	0.7675	0.5125	0.6850	0.6070
June	0.8000	0.6167	0.6250	0.7010
July	0.7100	0.5863	0.5863	0.6124
August	0.6878	0.5660	0.6720	0.6312
September	0.9500	0.6400	0.8278	0.7703
October	0.9500	0.7600	0.8250	0.8331
November	0.9500	0.7886	0.8350	0.8316
December	0.9500	0.7700	0.8100	0.8233
2010				
January	1.0475	0.7900	0.8350	0.8603
February	1.0475	0.5825	0.7000	0.7043
March (up to and including the Latest Practicable Date)	0.8400	0.6600	0.8100	0.7587

Share Price (Continued)

HKSE

	High (HK$)	Low (HK$)	Month End (HK$)	Month Average (HK$)
2009				
March	8.38	6.70	6.81	7.20
April	7.28	5.60	5.84	6.67
May	9.88	5.90	9.00	7.49
June	11.30	8.15	8.35	9.34
July	8.55	7.48	7.80	7.91
August	8.30	7.35	7.78	7.84
September	12.24	7.60	9.90	9.56
October	11.00	9.50	10.30	10.34
November	11.62	9.95	11.56	10.61
December	11.90	9.68	10.28	10.60
2010				
January	12.60	10.10	10.86	11.06
February	11.22	7.61	8.21	8.97
March (up to and including the Latest Practicable Date)	10.08	8.04	9.56	9.07

Closure of Register of Members for AGM

The Register of Members of the Company will be closed from Wednesday, 5 May 2010 to Friday, 7 May 2010, both days inclusive, during which period no transfer of ordinary shares will be effected.

The 2010 AGM will be held at Lot 1, Jalan Teknologi 3/5, Taman Sains Selangor 1, Kota Damansara, Petaling Jaya, Selangor, Malaysia on 7 May 2010 at 4:00 pm (HK time). The notice of 2010 AGM together with a circular in respect of the Annual General Meeting and proxy forms have been dispatched to shareholders on 8 April 2010. 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 2009, and other information on RCG, may be reviewed on RCG's website: www.rcg.tv

Corporate Information

Registered Office

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Principal Place of Business outside Hong Kong and Headquarters

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Kota Damansara, Petaling Jaya, Selangor
Malaysia

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
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Nominated Advisor (for AIM)

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Corporate Information

Stockbrokers (for AIM)

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Hong Kong Legal Advisers

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Central
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Bermuda Legal Advisers

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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

Nomura International (Hong Kong) Limited
30/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

Definitions

"A-1"	A-1 Development Inc., a company incorporated in the British Virgin Islands and a 15% owned subsidiary of the Company
"AGM"	the annual general meeting of the Company to be held on 7 May 2010 (Hong Kong time)
"AIM"	Alternative Investment Market, a market operated by the LSE
"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
"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
"Director(s)"	the director(s) of the Company
"Executive Committee"	a committee of the Board with responsibility for overseeing the management of the Group's business and development
"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"	24 March 2010

Definitions

"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
"RCG China"	RCG China Limited (宏霸數碼科技(北京)有限公司), a wholly foreign owned company established under the laws of the PRC on 14 September 2006 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
"R&D"	research and development
"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
"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
"APT900"	RFID antenna for the purpose of asset tracking within banks, a product of the Group
"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
"EL 1000"	a controller with advance features to manage door access, time attendance and security alarm, a product of the Group
"E-seal"	RFID container security device for purposes of container management and anti-tampering, a product of the Group
"facial recognition"	identification of individuals through the analysis of facial features
"fingerprint authentication"	verification of individuals through the analysis of fingerprint
"FxGuard Windows Logon"	biometric facial recognition software designed for computer access security, 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
"i-series"	a product family of access control devices using fingerprint recognition and high speed processor, products of the Group
"i4e"	fingerprint access control with high compatibility with EL 1000, a product of the Group
"i4x"	fingerprint access control with high compatibility with XL 1000, a product of the Group
"infrared"	electromagnetic radiation with wavelengths longer than visible light but shorter than radio waves

Glossary of Technical Terms

"Internet of Things"	a network of devices tagged with RFID or sensors interconnected via Internet, forming a business intelligence
"IT"	"Information Technology", anything related to computing technology, such as networking, hardware, software, the Internet, or the people that work with these technologies
"iTrain"	an interactive e-learning device combining hardware and software that uses infra-red and RFID technology, a product of the Group
"K-series"	a product family of multi-modal biometrics security devices for access control and customer relationship management combining fingerprint authentication, facial recognition, RFID and password authentications, products of the Group
"m-series"	a product family of fingerprint recognition door lock security system, products of the Group
"M2M" or "Machine-to-Machine"	data communications between machines
"R10"	portable RFID reader with Bluetooth connection for wireless information transmission, a product of the Group
"r-series"	a product family of RFID readers developed by the Group, products of the Group
"RFID"	"Radio Frequency Identification", a technology for data acquisition by way of radio frequency between transponders and a host system
"RUS-series"	a product family of RFID readers for access control and personal identification applications, products of the Group
"s-series"	a product family of slim fingerprint recognition access control devices deploying capacitive sensor, products 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
"XL 1000"	a controller to manage door access, time attendance and security alarm, a product of the Group