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

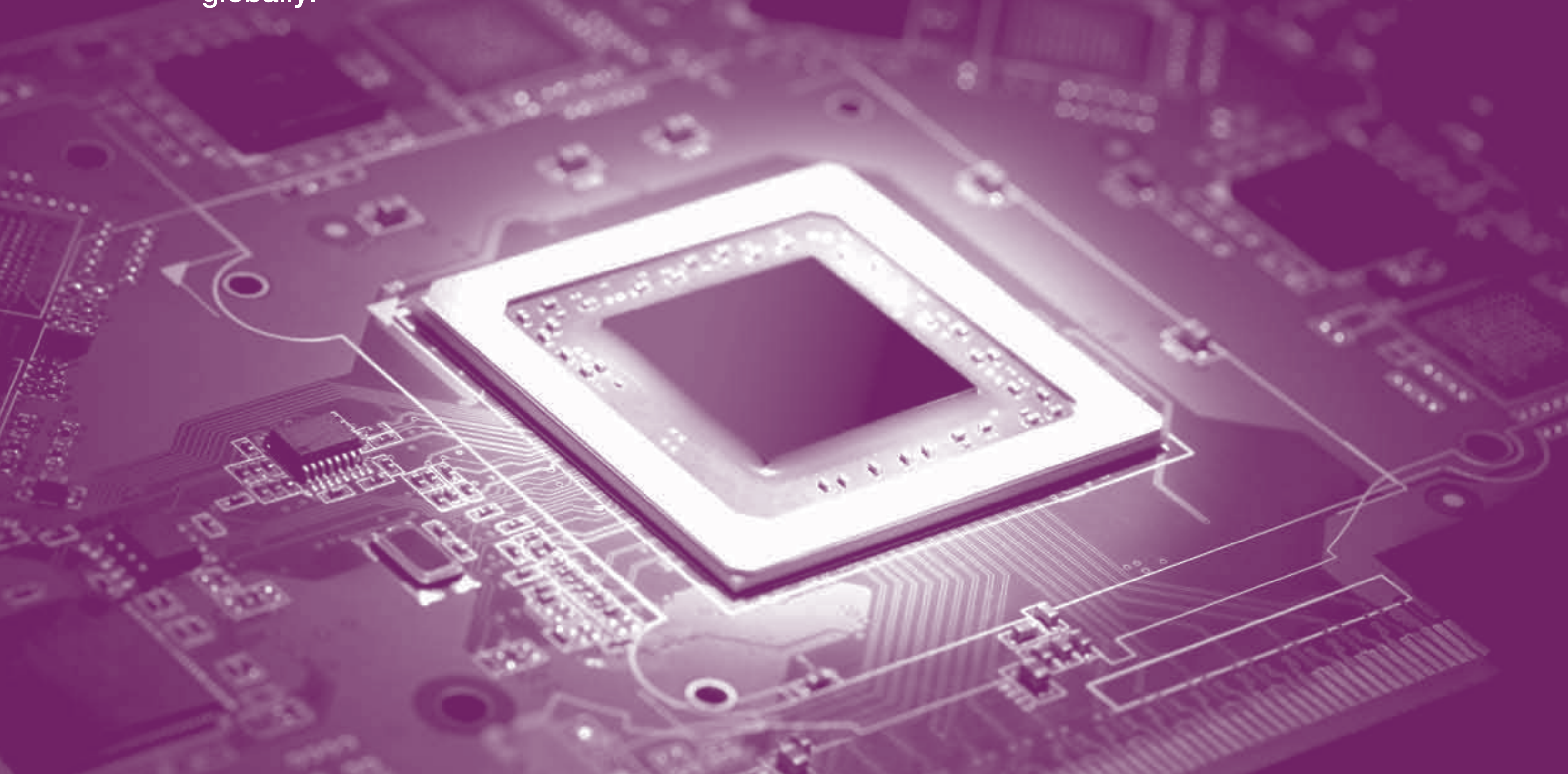
ANNUAL REPORT 2010

* 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 governmental sector. 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, Taipei, Bangkok, Jakarta and Dubai, with authorised distributors present in major countries globally.



Contents

Five Year Financial Summary

	For the year ended 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Turnover	**3,025,919**	2,450,162	2,002,353	1,438,781	884,750
(Loss)/profit for the year	**(6,974)**	644,919	611,102	452,666	278,072
Attributable to:					
Owners of the Company	**72,859**	636,048	622,268	452,528	273,975
Non-controlling interests	**(79,833)**	8,871	(11,166)	138	4,097
	(6,974)	644,919	611,102	452,666	278,072
Basic earnings per share (note)	**HK$0.26**	HK$2.52	HK$2.69	HK$2.03	HK$1.58
Dividends per share	**—**	—	HK$0.165 or £0.015	HK$0.078 or £0.005	HK$0.091 or £0.006

	As at 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**4,699,812**	4,240,670	3,176,880	2,165,258	1,055,230
Total liabilities	**(463,189)**	(357,317)	(295,779)	(71,098)	(95,150)
	4,236,623	3,883,353	2,881,101	2,094,160	960,080
Equity attributable to owners of the Company	**4,054,626**	3,701,737	2,681,331	2,062,542	958,688
Non-controlling interests	**181,997**	181,616	199,770	31,618	1,392
	4,236,623	3,883,353	2,881,101	2,094,160	960,080

Note: The calculation of basic earnings per share is based on the profit attributable to 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 2010 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.

Chairman's Statement

I am pleased to present my first statement in my capacity as Chairman of the Board of RCG. 2010 was an extremely challenging year for many businesses, including RCG, due to the prolonged uncertainties caused by global economic events in the last year and the extremely competitive market conditions. Some companies opted to cut costs and others have adopted aggressive sales strategies in order to survive amidst increased competition from large corporations and new entrants. RCG has been able to report an increase in revenue in 2010 resulting from new revenue streams as well as diversification of the Group's activities to Southeast Asia in addition to its existing business regions of China and the Middle East.

Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman
Chairman

During 2010, RCG has achieved a number of key strategic developments including the acquisition of **Strong Aim** in May 2010. This acquisition will strengthen the Group's foothold in the RFID market segment, bringing the RFID technology to various aspects of daily life and promoting the popularity of its use, providing numerous business opportunities. The Group has focused on this business by expanding its Solutions, Projects and Services business segment and subsequently signed an agreement with **Star Asia Group** to develop **Internet of Things ("IoT") City** in Xiangyang city in PRC. By implementing RFID, IoT and green technologies through the IoT City Project, the Group has reinforced its position as a solutions provider for government and large scale urban development covering areas of healthcare, financial, transportation, security, hotel management, retail, personal identification and payment systems. The Group is pleased with its trading in 2010 having secured projects with prominent clients including governmental departments and multi-national corporations in the regions in which it operates.

In 2010, RCG restructured its Board and senior management to better deal with the new business direction, which is very much focused on developing its important Southeast Asia market, and the challenges ahead. I am honoured to have joined the Board and am currently serving as its non-executive Chairman. The Board has also been strengthened with the appointments of Mr. KC Chong as Chief Financial Officer and an executive Director and Mr. Pieter Lambert Diaz Wattimena as an independent non-executive Director. Dato' Lee Boon Han, who has an extensive experience in the Information Technology and security business, will bring strong leadership and insight in developing the Group's business.

Acknowledging the Chinese Government's forecast of lowering China's GDP yearly growth rate, the ongoing political turmoil in the Middle East and the uncertain economic impacts of the recent disaster in Japan, the Board believes that it is prudent to set a cautious tone on the Group's revenue expectation. Moreover, the Group has been experiencing increased competition from local companies which the Board believes will impact upon the Group's growth prospects. The competitive landscape and geographical risks of the ongoing political turmoil in the Middle East, the slowing growth prospects in China and the possible negative economic effects of the recent disaster in Japan on the Group's operating territories will be closely monitored by the Board. The Board also continues to place strong emphasis on improving cash collections to ease the working capital requirements of the Group whilst maintaining its long-term growth strategy through the exploration of new revenue streams. Moving forward, the Board of the Group is confident that by focusing on its Solutions, Projects and Services, the Group will be able to maintain its competitiveness and consolidate its market position in the technology sector. In addition, RCG will continue to explore opportunities in other related businesses in its preferred operating geographies.

I take this opportunity to express my sincere gratitude to our shareholders, customers, business partners and my fellow directors for their continued and valued support; our management and staff for their dedicated efforts during this past year to RCG. I hope that RCG will continue to enjoy your support towards the development of the Group in the years to come.

Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman
Chairman
25 March 2011

CEO's Statement

On behalf of the Group, I am pleased to report the financial results for the year ended 31 December 2010.

For the year ended 31 December 2010, the Group recorded revenue of HK$3,025.9 million, representing a 23.5% increase from revenue of HK$2,450.2 million in 2009. Gross margin for the year ended 31 December 2010 was 38.0%, a decrease from 50.9% in 2009, due to intensified competition coupled with increased cost of sales. The Group recorded EBITDA of HK$250.5 million for the year ended 31 December 2010, a 69.6% decrease from HK$823.9 million in 2009. For the year ended 31 December 2010, the Group reported a net loss of HK$7.0 million compared to a net profit of HK$644.9 million for the year ended 31 December 2009, with the significant reduction due to the impairment of balance sheet assets.

Following the restructuring of the Board of Directors and the senior management team in early 2010, the corporate strategy and available resources have been realigned to identify some new markets, particularly Southeast Asia. The Group also focused on the solutions, projects and services supplied to governmental and multi-national corporation clients, and continuously identifying new revenue streams in this business segment which will allow the Group to achieve better revenue stability and visibility.

The Board remains confident of the prospects for biometric and RFID businesses. In May 2010, the Group acquired a 70% holding in **Strong Aim**, whose business scope involves research and development, as well as the sales of RFID phones and tags. This has enabled the Group to gain some traction in bringing RFID solutions to a wider consumer base in everyday life applications. In December 2010, the Group entered into a memorandum of understanding with the **Xiangyang Development Committee** in PRC for developing **Internet of Things ("IoT") City** in Xiangyang. The Group subsequently signed a strategic collaboration agreement with **Star Asia Group**, who will undertake the building and construction of the IoT City whilst RCG will supply technologies and software solutions for the IoT City.

Dato' Lee Boon Han
Chief Executive Officer

During the year, the Group launched a series of biometrics and RFID products and solutions. RCG has also continued to develop access control devices combining biometrics and RFID with advanced controller functions such as **i4F and i4X devices**. The Group also strengthened its RFID and security product lines by launching a series of readers designed for specific vertical industries the Group operates in, such as **RIC 2000** and **RIC 3000 RFID-enabled Mifare** card readers compatible with e-wallet system for theme-parks, retail and entertainment industries; **GTM 1000** portable RFID handheld reader of **Guard Tour Monitoring Solution**; **VLH 1000** vehicle interlocking system; and **RIW 1000** RFID reader for access control and anti-counterfeit applications.

In the past two years, the Group has built a strong foundation and relationships with governmental departments in Southeast Asia and the Middle East, as RCG has increasingly entered into the public sector, in particular reflected by successful contract wins and business ties with the **Government of Sharjah**, the **Ministry of Interior of Umm Al Quwain**, the **Civil Defence Department in RAS Al Khaima,** the **General Directorate of Residence and Foreigners Affairs in Dubai** and the **Ministry of Finance in Malaysia**. The Group also entered the education sector and launched a series of RFID solutions tailored to industry needs that have subsequently been deployed by educational bodies in PRC, Malaysia, Vietnam and the Middle East. The Solutions, Projects and Services business segment performed strongly with implementations of its RFID asset tracking solutions, having won prominent clients including **China Construction Bank, China Mobile Sichuan, State Grid Corporation of China**, and **Peking University People's Hospital**.

RCG is pleased to continue receiving various acknowledgements and awards during the year, including **2010 Southeast Asia Frost & Sullivan Differentiation Excellence Award**, inclusion in the **A&S 2010 Security 50** and **Deloitte Technology Fast 500 Asia Pacific 2010** two years in a row, the award from **GS1 Hong Kong, 9th Asia Pacific International Entrepreneur Excellence Product Award** and **RFID Industry Development Award**. The Group is committed to contributing to society through donations to charitable organisations such as **Médecins Sans Frontières, ORBIS** and **The Community Chest**.

Post year end events

In January 2011, the Group disposed of its 51% shareholding in **RCG Network**, an indirectly owned subsidiary of the Group whose principal activity is the sales and distribution of IT products including personal computers and notebooks. Whilst the Group will experience a reduction in its revenue in the immediate short term, the disposal was made in order to utilise the Group's resources in other business segments and to pursue new opportunities which offer better long term prospects. The Group also signed a memorandum of understanding with **Spartan Gold Limited** on 21 January 2011 with respect to the development and implementation of RCG's RFID and biometric technology in the mining industry. On 24 January 2011, RCG signed a collaborative agreement to launch its latest **SIMCash Solution** for enhancing the mobile-phone payment system based in Indonesia and on 16 March 2011, a memorandum of understanding to develop a multiple platform based gaming solution for the **Government of Sikkim, India**.

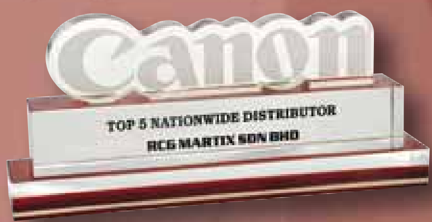
Outlook

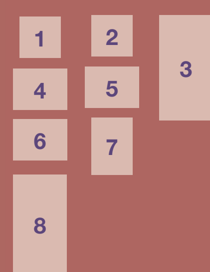
The Group is proud of the advances it has made and will strive to continue its expansion into Southeast Asia in addition to China and the Middle East to carry on diversifying into new lucrative industries such as education, gaming and mining, while maintaining its market share in government, banking, entertainment, healthcare, logistics and anti-counterfeit sectors. The Board remains cautiously optimistic about the prospects for 2011 and beyond, as it continues to restructure the overall business model of the Group to focus on Solutions, Projects and Services business segment, thereby placing less reliance on its previous distributorship model.

RCG will also continue to exercise strict cost controls and debt collection as the Group endeavour to improve cash generation to fund its new developments and projects.

Dato' Lee Boon Han
Chief Executive Officer
25 March 2011

Achievements and Awards





1. 2010 Southeast Asia Frost & Sullivan Differentiation Excellence Award
2. A&S's global 2010 Security 50
3. Deloitte Technology Fast 500 Asia Pacific 2010
4. Canon Malaysia's Top 5 Nationwide Distributor
5. Canon Malaysia's Authorised Hardware Distributor for the year 2009 & 2010
6. Hong Kong RFID Awards 2010
7. RFID Industry Development Award
8. The 9th Asia Pacific International Entrepreneur Excellence Product Award 2010

BUSINESS REVIEW

Despite with an uncertain global economic climate and intensifying competition in the market, RCG achieved a revenue growth of 23.5% for the year ended 31 December 2010, compared to the same period in 2009.

The Group recorded a total revenue of HK$3,025.9 million for the year ended 31 December 2010 compared to HK$2,450.2 million for the same period in 2009. Gross margin for the year ended 31 December 2010 was 38.0% compared to 50.9% for the year ended 2009 with the reduction being attributable to lower selling prices and increasing of cost of sales. The Group reported a net loss of HK$7.0 million in 2010 compared to a net profit of HK$644.9 million in 2009, with the loss being mainly attributable to impairment of certain assets.

Performance of business segments

The Group is a leading international developer and solution provider in the biometric, RFID and security industries that delivers high-performing convenient security systems for enterprises and consumers. The business segment comprises three categories: "**Consumer**", "**Enterprise**", and "**Solutions, Projects and Services**".

The Group develops the **Consumer** segment products to promote the use of biometrics, RFID and other technologies in daily use, such as **FxGuard Windows Logon** facial recognition software for computer login, **i-train** wireless education system allowing interactive and real-time in-class participation and **m-series** biometric fingerprint doorlock. During the year, the Group was also involved in the distribution of certain brands of notebook computers, which were bundled with its FxGuard Windows Logon software. The Group established relationships with distributors to sell its **Consumer** segment products and also licensed its FxGuard Windows Logon software to computer manufacturers.

The **Enterprise** segment comprises biometric and RFID products for commercial use, such as **i-series** and **s-series** biometric fingerprint authentication devices and modules, together with **EL-1000** and **XL-1000** controllers forming access control and employee attendance, **RUS-series** RFID card readers for access control, time attendance, visitor management and security applications, **r-series** RFID readers and controllers and **K-series** multi-modal security devices combining facial recognition, fingerprint authentication, password and RFID. The Group mainly sells the **Enterprise** segment products through its distributors, system integrators and security system providers.

The Group develops system solutions for enterprise users using the Group's internally developed software and self-developed or third party products as required, providing a solution to business needs in security or efficiency management. This **Solutions, Projects and Services** business segment is mostly deployed for enterprise management and consumer security protection. The Group focuses on high growth industries such as banking, logistics and transportation, entertainment, healthcare, education, anti-counterfeit and government sectors.

Business Segment	Year ended 31 December				y-o-y growth
	2010		2009		
	HK$ m	%	HK$ m	%	%
Consumer	**1,183.3**	**39.1**	807.1	32.9	**46.6**
Enterprise	**1,054.6**	**34.9**	975.6	39.8	**8.1**
Solution, Projects and Services	**788.0**	**26.0**	667.5	27.3	**18.1**
Total Revenue	**3,025.9**	**100.0**	2,450.2	100.0	**23.5**

The Consumer segment became the largest contributor in revenue terms in 2010, contributing 39.1% of the total Group's turnover. The Consumer segment revenue grew by 46.6% from HK$807.1 million in 2009 to HK$1,183.3 million in 2010, partly due to re-categorisation of its products, the **m-series** and **g-series** from the Enterprise segment.

The Enterprise segment contributed 34.9% of total Group's turnover mainly attributable to an increase in sales of **i-series** and **s-series** fingerprint access control products, owing to continued marketing campaigns for these products, and strong sales performance of self-developed **r-series** RFID readers and controllers. The sales of **i-series**, **s-series**, and **r-series** in 2010 grew by 14.2%, 13.4%, 9.9% respectively as compared with 2009.

The Solutions, Projects and Services segment experienced a sales growth of 18.1% in 2010. The growth is mainly attributed to new solutions products launched in 2009, including **RCG RFID Laundry Management System, RCG RFID Guard Tour Monitoring Solution, RCG RFID IT Asset and Data Management Solution, RCG Candybox Point-of-Sales Solution, RCG RFID Document Management System and RCG RFID Vehicle Access Management System** together with various contract revenues relating to the implementation of the new solutions in the vertical industries on which the Group focuses.

Geographical performance

The majority of the Group's revenues are generated from Southeast Asia, Greater China and the Middle East.

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

Geographical Segment	Year ended 31 December				y-o-y
	2010		2009		growth
	HK$ m	%	HK$ m	%	%
Southeast Asia	**1,734.3**	**57.3**	1,321.2	53.9	**31.3**
Greater China	**777.3**	**25.7**	663.5	27.1	**17.2**
Middle East	**506.3**	**16.7**	455.9	18.6	**11.1**
Other Regions	**8.0**	**0.3**	9.6	0.4	**(16.7)**
Total Revenue	**3,025.9**	**100.0**	2,450.2	100.0	**23.5**

The Southeast Asia was the fastest growing region with 31.3% growth mostly attributed to the Group's expansion into Indonesia and increasing number of government-related contracts secured in the regions. A further breakdown shows that the Consumer segment in Southeast Asia increased by 97.4% from last year partly due to re-categorisation of **m-series** and **g-series** from the Enterprise segment.

The revenue from the Greater China region increased by 17.2% in 2010 mainly as a result of the Enterprise segment revenue increasing by 35.2% mainly attributable to the increase in sales of i-series and s-series, and self-developed fingerprint access control modules.

The 11.1% growth in revenue in the Middle East region is attributable to an increase in the number of government-related projects in the region contributing to the Solutions, Projects and Services segment which increased by 77.5%.

Acquisition

In May 2010, the Group acquired 70% of the issued share capital of Strong Aim, a company whose principal activities are in research and development as well as sales of its proprietary RFID Phones and other RFID-related products such as RFID tags. Strong Aim has secured contracts to provide RFID Phones and RFID tags for anti-counterfeit applications in China, and also possesses a unique technology that allows integration of its RFID reading and writing module into mobile phones. It is expected that the acquisition will enhance the Group's earnings in the coming years, as well as improving revenue visibility.

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2010, the Group reported a total revenue of HK$3,025.9 million representing an increase of 23.5% compared to HK$2,450.2 million in 2009. The revenue increase was mainly attributed to growth in the Consumer segment revenue of 46.6% and Solutions, Projects and Services revenue of 18.1%.

Cost of sales

Cost of sales increased 55.8% from HK$1,203.4 million in 2009 to HK$1,875.3 million in 2010. This increase was largely a consequence of higher component prices reflecting the use of higher-end raw materials for the Group's self-developed products.

Gross profit and gross profit margin

Gross profit in 2010 was HK$1,150.6 million, a decrease of 7.7% compared to HK$1,246.8 million in 2009. This resulted from reduction of selling prices in order to stay competitive, coupled with the increasing costs of sales referred to above. Gross margin decreased from 50.9% to 38.0%.

Other operating income

Other operating income increased from HK$2.2 million in 2009 to HK$38.9 million in 2010 mainly attributable to foreign exchange gains.

Administrative expenses

Administrative expenses increased 20.1% from HK$400.1 million in 2009 to HK$480.3 million in 2010 principally as a result of amortisation of intangible assets and impairment loss on trade receivables.

Selling and distribution costs

Selling and distribution costs decreased by 17.5% from HK$198.1 million in 2009 to HK$163.4 million in 2010 as the Group sought to reduce overheads.

Finance costs

Finance costs increased from HK$5.9 million in 2009 to HK$8.0 million in 2010 due to the increased utilisation of external interest-bearing financing facilities for working capital purposes.

Loss before taxation

Loss before taxation for 2010 was HK$2.7 million, as compared to a profit before taxation of HK$644.9 million in 2009.

Income tax expense

Income tax expense increased from HK$0.05 million in 2009 to HK$4.3 million in 2010.

Loss for the year

The Group incurred a net loss of HK$7.0 million for the year ended 31 December 2010, compared to a net profit of HK$644.9 million in 2009.

Profit attributable to the equity holders of the Company

Profit attributable to the equity holders of the Company decreased by 88.5% from HK$636.0 million in 2009 to HK$72.9 million in 2010.

Loss attributable to the minority interests

Loss attributable to the minority interests of HK$79.8 million principally related to the minority interests' share of impairment charges referred to above.

REVIEW OF THE GROUP'S FINANCIAL POSITION AS AT 31 DECEMBER 2010

Liquidity and capital resources

The Group operations are funded primarily by profits from its operating activities. The Group also has some interest income and makes use of short-term trade financing facilities if required. The key drivers in the Group's sources of cash are the Group's sales, and the Group's ability to collect debts. There have been no material changes in the Group's underlying drivers during the year under review.

The Group incurred capital expenditure of HK$246.1 million during 2010 compared to HK$232.0 million in 2009. The capital expenditure was mainly used for the acquisition of property, plant and equipment and investment in research and development. The increase was partly attributable to the acquisition of Strong Aim and research and development expenditures spend on Strong Aim's products.

The following table sets out the capital expenditures for the years indicated:

	Year ended 31 December	
	2010	2009
	HK$'000	HK$'000
Purchase of property, plant and equipment	**27,157**	60,949
Investment in research and development	**218,940**	171,025
Total	**246,097**	231,974

The Group has internal budgeting mechanisms 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 liquid position, banking facilities have nevertheless been put in place for contingency purposes. As at 31 December 2010, the Group had trade financing facilities amounting to HK$78.8 million secured by fixed deposits and Irrevocable Standby Document Credit, a term loan facility amounting to HK$63.0 million secured by the pledging of a Malaysian property, and a revolving credit line for working capital purposes amounting to HK$202.0 million which was secured by cash deposits.

Save as disclosed above, there were no other charges on assets as at 31 December 2010.

The interest rates for the trade financing line ranged from 3.25% to 5.20% and this facility is denominated in Malaysian Ringgit. It is in the form of Standby Letter of Credit, Letter of Credit, bankers' acceptance, and trust receipts facilities for trading purposes. The term loan facility carries interest at a rate of 3.88% to 4.90% and is also denominated in Malaysian Ringgit. The revolving credit line has an interest rate of 1.53% to 1.83% above HIBOR and is denominated in United States Dollars. It is rolled-over monthly for working capital financing.

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

	Year ended 31 December	
	2010	2009
	HK$'000	HK$'000
Total bank borrowings, secured, repayable within one year	**213,649**	205,568
Total bank borrowings, secured, repayable more than one year	**50,510**	49,660
Total	**264,159**	255,228

The Group had cash and cash equivalents of HK$242.3 million as of 31 December 2010 compared to HK$312.1 million as of 31 December 2009.

Working Capital

Debtors and inventories have increased by 63% and 36% in 2010. The Group's working capital cycle has lengthened due to the slow down in sales orders and longer credit period granted to customers. Accordingly the Group reported significant increase in inventory and trade receivables balances as at 31 December 2010. However, the Board believes that the inventory balance will stabilise at a lower level later this year and the trade receivables (net of write offs) are recoverable.

Gearing ratio

As at 31 December 2010, the Group's gearing ratio was approximately 0.061x as compared to 0.065x as at 31 December 2009. The gearing ratio was calculated as the Group's total debt divided by its total capital.

Debt of HK$264.8 million is calculated as total borrowings (including short-term bank loans amounting HK$213.6 million, current portion of financing obligations amounting HK$0.3 million, long term bank loans amounting HK$50.5 million and long term financing obligations of HK$0.4 million). Total capital is calculated as total shareholder equity of HK$4,054.6 million plus debt.

Contingent Liabilities

As at 31 December 2010, the Group had no outstanding contingent liabilities. There were also no contingent liabilities as 31 December 2009. The Company acted as a guarantor of its subsidiaries to secure interest-bearing borrowings, which amounted to approximately HK$98.7 million (2009: HK$85.3 million).

The carrying amount of the financial guarantee provision recognised in the Company's balance sheet was approximately HK$652,000 as at 31 December 2010, compared to HK$437,000 as at 31 December 2009. The financial guarantee contract was eliminated on consolidation.

Foreign exchange risk management

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

HUMAN RESOURCES

As at 31 December 2010, in addition to the Directors, there were around 370 employees of the Group stationed in the Group's offices in Kuala Lumpur, Hong Kong, Beijing, Shenzhen, Macau, Bangkok and Dubai. Total staff costs for the year ended 2010 were HK$74.0 million, compared with HK$113.1 million in 2009. The saving was attributable to the Group moving its operational headquarters to Kuala Lumpur, which is a lower cost centre compared to Hong Kong and Greater China, and streamlining of the Group's human resources following consolidation and merging of subsidiary companies.

The Group offered training and development courses for its employees to enhance staff working capabilities. Remuneration packages are linked with individual's and the Group's business performance, and take into consideration industry practices and competitive market conditions, reviewed on annual basis. Directors' remuneration is determined with reference to his duties and responsibilities with the Company, the Company's standards for emoluments and market conditions.

In April 2010, the Company granted a total of 7,760,000 share options to eligible employees and Directors. The Company granted these share options to award its long serving employees who have participated and contributed to the growth of the Company.

MANAGEMENT OUTLOOK

Moving forward, the Group will continue exploring new business opportunities and new revenue streams to expand its reach into diversifying geographies and vertical industries. In the first quarter of 2011, the Group announced its expansion plans for Indonesia, launching at the same time the SIMCash mobile-phone payment based in Indonesia, and a memorandum of understanding to enter into the gaming industry in India. The Group will also realise its plans for the development of Internet of Things City in Xiangyang city in PRC. It will continue to explore new vertical industries where it will be able to leverage its expertise in the implementation of new technology for the improvement of business processes.

Events in 2010

The Board of the Company is pleased to present to the shareholders their annual report, together with the Group's audited consolidated financial statements for the year ended 31 December 2010.

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 22 to the consolidated financial statements.

REVIEW OF BUSINESS

In the opinion of the Directors, the future prospects of the Company is promising. A business review can be found in the section of Management Discussion and Analysis on pages 9 to 13.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2010 are set out in the Consolidated Income Statement on page 40.

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 2010.

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 45 and note 29 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2010, the Company's reserves available for distribution amounted to approximately HK$356,032,000 (2009: HK$1,556,228,000).

SHARE CAPITAL

Details of movements in the share capital during the year are set out in note 28 to the consolidated 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 16 to the consolidated financial statements.

INTEREST-BEARING BORROWINGS

Details of interest-bearing borrowings are set out in note 30 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customer accounted for approximately 29.9% of the Group's total sales for the year and sales to the Group's largest customer amounting to approximately 10.8%. Purchases from the Group's five largest suppliers accounted for approximately 73.3% to the Group's total purchases for the year and purchases from the Group's largest supplier amounted to approximately 21.4%.

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

Mr. Ying Kan Man and Mr. Chong Khing Chung have entered into service contracts with the Group on 11 February 2010. Dato' Lee Boon Han has entered into service contract with the Group on 1 February 2011. All such contracts are for an initial term of two years. Either the Company of the aforesaid Directors may terminate the services contracts by giving three month's notice or payment in lieu. On 11 February 2010, the service contract between Ms. Chau Pak Kun with the Group was terminated. On 4 October 2010, the service contract between Mr. Raymond Chu Wai Man was also terminated.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory obligations.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in notes 11 and 43 to the consolidated 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 2010.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2010, the interests and short positions of the Directors and chief executives in the Share, 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:

Long position in the ordinary shares of the Company

Name of Directors	Capacity/Nature of interest	Number of shares	Number of underlying shares	Number of shares and underlying shares	Approximate percentage of issued share capital
Dato' Lee Boon Han	Beneficial Owner	104,000	1,625,000	1,729,000	0.57%
Ying Kan Man	Beneficial owner	25,611	1,500,000	1,525,611	0.51%
Chong Khing Chung	Beneficial owner	—	472,500	472,500	0.16%
Raymond Chu Wai Man	Beneficial owner	352,211	2,800,000	3,152,211	1.05%
	Interest of controlled corporation (Note 1)	13,500,000	—	13,500,000	4.48%
Li Mow Ming, Sonny	Beneficial owner	—	80,000	80,000	0.03%
Liu Kwok Bond	Beneficial owner	—	80,000	80,000	0.03%
Chau Pak Kun (Resigned as a non-executive Director on 4 October 2010) (Note 2)	Beneficial Owner	485,855	1,000,000	1,485,855	0.49%

Note:

1. These shares are held by Full Future Group Limited which is wholly and beneficially owned by Mr. Raymond Chu Wai Man. By virtue of the SFO, Mr. Raymond Chu Wai Man is deemed to be interested in the shares held by Full Future Group Limited. Since the end of the year ended 31 December 2010, Mr. Raymond Chu Wai Man together with Full Future Group Limited, has on 31 March 2011 sold 13,852,211 shares of the Company. Following the said disposal, Mr. Raymond Chu Wai Man no longer holds any shares in the Company and continues to hold options exercisable into 2,800,000 shares of the Company.

2. The number of shares and underlying shares of the Company held by Ms. Chau Pak Kun up to 4 October 2010 immediately before her resignation. The options exercisable into 1,000,000 underlying shares held by Ms. Chau Pak Kun lapsed on 4 October 2010 following her resignation.

Save as disclosed above, none of the Directors or chief executives had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2010 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

There is 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 2010, the following persons or companies 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:

Long position in the ordinary shares of the Company

Name of Shareholders	Capacity/Nature of interest	Number of shares	Number of underlying shares	Number of shares and underlying shares	Approximate percentage of issued share capital (Note 4)
Veron International Limited (Note 1)	Beneficial owner	65,662,832	—	65,662,832	21.78%
Kung Nina (Estate of Nina Kung also known as Nina T.H. Wang) (Note 1)	Interest of controlled corporation	65,662,832	—	65,662,832	21.78%
Lai Kar Yan, Derek (Note 1)	Trustee	65,662,832	—	65,662,832	21.78%
Lo Kin Ching Joseph (Note 1)	Trustee	65,662,832	—	65,662,832	21.78%
The Offshore Group Holding Limited (Note 2)	Beneficial owner	53,515,556	—	53,515,556	17.75%
Chan Chun Chuen (Note2)	Interest of controlled corporation	53,515,556	—	53,515,556	17.75%
Tam Miu Ching (Note 2)	Spousal interest	53,515,556	—	53,515,556	17.75%
Full Future Group Limited (Note 3)	Beneficial owner	13,500,000	—	13,500,000	4.48%
Raymond Chu Wai Man	Beneficial owner	352,211	2,800,000	3,152,211	1.04%
	Interest of controlled corporation (Note 3)	13,500,000	—	13,500,000	4.48%
Yun Po Kow Rowena (Note 3)	Spousal interest	16,652,211	—	16,652,211	5.52%

Notes:

1. The entire issued share capital of Veron International Limited is beneficially owned by Ms. Kung Nina. Therefore, Ms. Kung Nina is deemed to be interested in the 65,662,832 shares held by Veron International Limited under the SFO. Mr. Lai Kar Yan, Derek and Mr. Lo Kin Ching Joseph solely as Joint and Several Administrators pendente lite of Estate of Ms. Nina Kung.

2. The entire issued share capital of The Offshore Group Holdings Limited ("Offshore") is beneficially owned by an individual, Mr. Chan Chun Chuen. Ms. Tam Miu Ching is the wife of Mr. Chan Chun Chuen. Therefore, Mr. Chan Chun Chuen and Ms. Tam Miu Ching are deemed to be interested in the 53,515,556 shares held by Offshore under the SFO.

3. The entire issued share capital of Full Future Group Limited is held by a Director, Mr. Raymond Chu Wai Man. Mr. Raymond Chu Wai Man is also a director of Full Future Group Limited. Ms. Yun Po Kow Rowena is the wife of Mr. Raymond Chu Wai Man and is therefore deemed to be interested in the 13,852,211 shares and 2,800,000 options held by Mr. Raymond Chu Wai Man under the SFO. Since the end of the year ended 31 December 2010, Mr. Raymond Chu Wai Man together with Full Future Group Limited, has on 31 March 2011 sold 13,852,211 shares of the Company. Following the said disposal, Mr. Raymond Chu Wai Man no longer holds any shares in the Company and continues to hold options exercisable into 2,800,000 shares of the Company.

4. Represents the approximate percentage of total issued shares as at 31 December 2010.

Save as disclosed above, no person (other than the Directors and chief executives, whose interests are set out in the paragraph headed "Directors and chief executives' interests and short positions in shares and underlying shares"), had an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

SHARE OPTION SCHEME AND POST LISTING SHARE OPTION SCHEME

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

Share Option Scheme

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

	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding at end of the year	Date of grant	Vesting period	Exercisable period	Exercise price
Directors										
Dato' Lee Boon Han	400,000	–	–	–	–	400,000	04.10.2006	1 year	04.10.2007–03.10.2016	64.25p
	225,000	–	–	–	225,000	–	29.03.2007	1 year	29.03.2008–28.03.2017	136p
	–	225,000	–	–	–	225,000	29.04.2010 (Note 1)	–	29.04.2010–28.03.2017	HK$8.21
	–	1,000,000	–	–	–	1,000,000	29.04.2010 (Note 1)	1 year	29.04.2011–28.04.2020	HK$8.21
Ying Kan Man	100,000	–	–	–	–	100,000	20.04.2005	3 years	20.04.2008–19.04.2015	34.5p
	800,000	–	–	–	–	800,000	04.10.2006	1 year	04.10.2007–03.10.2016	64.25p
	200,000	–	–	–	200,000	–	29.03.2007	1 year	29.03.2008–28.03.2017	136p
	–	200,000	–	–	–	200,000	29.04.2010 (Note 1)	–	29.04.2010–28.03.2017	HK$8.21
	–	400,000	–	–	–	400,000	29.04.2010 (Note 1)	1 year	29.04.2011–28.04.2020	HK$8.21
Chong Khing Chung	72,500	–	–	–	72,500	–	29.03.2007	1 year	29.03.2008–28.03.2017	136p
	–	72,500	–	–	–	72,500	29.04.2010 (Note 1)	–	29.04.2010–28.03.2017	HK$8.21
	–	400,000	–	–	–	400,000	29.04.2010 (Note 1)	1 year	29.04.2011–28.04.2020	HK$8.21
Raymond Chu Wai Man	1,300,000	–	–	–	–	1,300,000	20.04.2005	3 years	20.04.2008–19.04.2015	34.5p
	1,500,000	–	–	–	–	1,500,000	04.10.2006	1 year	04.10.2007–03.10.2016	64.25p
	400,000	–	–	–	400,000	–	29.03.2007	1 year	29.03.2008–28.03.2017	136p
Li Mow Ming Sonny	–	80,000	–	–	–	80,000	29.04.2010 (Note 1)	1 year	29.04.2011–28.04.2020	HK$8.21
Liu Kwok Bond	–	80,000	–	–	–	80,000	29.04.2010 (Note 1)	1 year	29.04.2011–28.04.2020	HK$8.21
Chau Pak Kun (Resigned as	450,000	–	450,000	–	–	–	20.04.2005	3 years	20.04.2008–19.04.2015	34.5p
non-executive director on			(Note2)							
4 October 2010)	1,000,000	–	–	1,000,000	–	–	04.10.2006	1 year	04.10.2007–03.10.2016	64.25p
	300,000	–	–	–	300,000	–	29.03.2007	1 year	29.03.2008–28.03.2017	136p
General Dato' Seri Mohd Azumi	200,000	–	–	200,000	–	–	04.10.2006 (Note 1)	1 year	04.10.2007–03.10.2016	64.25p
(rtd) (Resigned as non-executive director on 31 May 2010)	–	80,000	–	80,000	–	–	29.04.2010	1 year	29.04.2011–28.04.2020	HK$8.21
Jonathan Michael Caplan (Resigned as independent non-executive director on 31 May 2010)	–	80,000	–	80,000	–	–	29.04.2010 (Note 1)	1 year	29.04.2011–28.04.2020	HK$8.21
Subtotal	6,947,500	2,617,500	450,000	1,360,000	1,197,500	6,557,500				
Other employees										
In aggregate	35,000	–	–	–	–	35,000	20.04.2005	3 years	20.04.2008–19.04.2015	34.5p
	2,477,500	–	–	215,000	2,262,500	–	29.03.2007	1 year	29.03.2008–28.03.2017	136p
	–	2,262,500	960,000	75,000	–	1,227,500	29.04.2010 (Note 1)	–	29.04.2010–28.03.2017	HK$8.21
			(Note 3)							
	–	2,880,000	–	350,000	–	2,530,000	29.04.2010 (Note 1)	1 year	29.04.2011–28.04.2020	HK$8.21
Subtotal	2,512,500	5,142,500	960,000	640,000	2,262,500	3,792,500				
Total	**9,460,000**	**7,760,000**	**1,410,000**	**2,000,000**	**3,460,000**	**10,350,000**				

Notes:

1. The closing price of the share immediately before 29 April 2010 is HK$8.10.

2. The weighted average closing price before the date of exercising for share options was HK$4.66.

3. The weighted average closing price before the date of exercising for share options was HK$8.54.

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 Term 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. Participants 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 15,986,000 shares, representing 4.67% of the issued share capital of the Company as at the date of this annual report.

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

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

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

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

During the year ended 31 December 2010 and up to the date of this annual report, the Company granted a total of 7,760,000 options pursuant to the Post Listing Scheme.

MANAGEMENT CONTRACTS

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

PURCHASE, SALE 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 2010.

PLACING OF NEW SHARES

On 16 July 2010, the Company announced a subscription of 5,000,000 new ordinary shares in the Company at a price of HK$5.00 per share by two subscribers, Pari Capital Group AG and Butler Capital Ltd. The net price for each subscription share was approximately HK$4.60. The closing price of the Share on 15 July 2010 being the date on which the subscription agreements were entered into was HK$5.62 on the HKSE and 48.00 pence on the AIM. All 5,000,000 subscription shares were subscribed and the subscription was completed on 21 July 2010.

In addition, on 12 November 2010, the Company announced a further subscription of 10,500,000 new ordinary shares in the Company at a price of HK$4.00 per share by Pari Capital Group AG and Butler Capital Ltd. The net price for each subscription share was approximately HK$3.80. The closing price of the shares on 11 November 2010, being the date on which the subscription agreements were entered into, was HK$4.25 on the HKSE and 30.75 pence on the AIM. All 10,500,000 subscription shares were subscribed and the subscription was completed on 16 November 2010.

One of the reasons for conducting the above subscriptions was to introduce more shares to the market and to improve share trading liquidity. The net proceeds from the subscriptions were intended to be used for financing the anticipated new projects in the Company's Solutions, Projects and Services business segment for public and private sector customers in the Southeast Asia and the Greater China regions, and for financing the Company's research and development activities.

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 representative associates has engaged in any business that competes or may compete with the businesses of the Group or has any other conflict of interest with the Group.

CONNECTED TRANSACTIONS

During the year, 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 24 to 29.

CHARITABLE CONTRIBUTIONS

During the year under review, the Group made charitable contribution totaling HK$103,000 (2009: HK$50,000)

AUDITORS

The consolidated financial statements for the year ended 31 December 2010 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
Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman
Chairman

25 March 2011

Biometrics and RFID products and solutions launched for the year 2010

- VLH-100 Vehicle Interlocking System
- GTM-1000 RFID handheld reader of Guard Tour Monitoring Solution
- RIC-2000 and RIC-3000 RFID-enabled Mifare card readers compatible with e-wallet system
- RIW-1000 RFID reader for access control and anti-counterfeit applications
- i4F and i4X access control devices combining biometrics and RFID with advanced controller functions
- FL-1000 industrial controller for access control
- XS-1000 industrial controller for access control
- RTP-1000 RFID Laundry multiple tags reader with power isolation features
- Device management application software

The information set out on pages 24 to 29 and information incorporated by reference constitutes the Corporate Governance Report of the Company.

During the year ended 31 December 2010, 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. Since 11 February 2010, the code provisions set out in the CCG have been fully complied with.

THE BOARD

The Board meets four times a year at approximately quarterly internals 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 2010, there were eight Board members consisting of three executive Directors, two non-executive Directors and three independent non-executive Directors:

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

Non-executive Directors:
Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman *(Chairman)*
(appointed on 1 June 2010 as an independent non-executive Director and redesignated from independent non-executive Director and appointed as the Chairman on 4 October 2010)
Raymond Chu Wai Man
(resigned as the Chairman and redesignated from executive Director on 4 October 2010)

Independent Non-executive Directors:
Li Mow Ming, Sonny
Liu Kwok Bond
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, eight Board meetings were held. Details of the attendance of the Directors are as follows:

Names of the Directors	Directors' Attendance
Executive Directors:	
Dato' Lee Boon Han	8/8
Ying Kan Man	8/8
Chong Khing Chung (appointed on 11 February 2010)	6/6
Non-executive Directors:	
Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman *(Chairman)* (appointed on 1 June 2010 as an independent non-executive Director and redesignated from independent non-executive Director and appointed as the Chairman on 4 October 2010)	2/2
Raymond Chu Wai Man (redesignated from executive Director on 4 October 2010)	8/8
Chau Pak Kun (resigned on 4 October 2010)	7/7
General Dato' Seri Mohd Azumi (rtd) (resigned on 31 May 2010)	4/6
Independent Non-executive Directors:	
Li Mow Ming, Sonny	7/8
Liu Kwok Bond	7/8
Pieter Lambert Diaz Wattimena (appointed on 25 March 2010)	3/5
Jonathan Michael Caplan QC (resigned on 31 May 2010)	5/6

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. Before the appointment of Dato' Lee Boon Han as the CEO on 11 February 2010, the roles of the chairman and the CEO are performed by the same individual, Mr. Raymond Chu Wai Man, and are not separated. Mr. Raymond Chu Wai Man has stepped down as the CEO since 11 February 2010. On 4 October 2010, Mr. Raymond Chu Wai Man has stepped down as the chairman and Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman has been appointed as non-executive Chairman of the Company. The two positions are now held by two separate individuals to ensure their respective independence, accountability and responsibility. Accordingly, since 11 February 2010, the code provisions set out in the CCG have been fully complied with.

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with Rule 3.10(1) of the Hong Kong Listing Rules, there are three independent non-executive Directors representing one-third of the Board. Among the three 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. Li Mow Ming, Sonny, Mr. Liu Kwok Bond 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. Either the Company or the aforesaid Directors may terminate the service contracts by giving three months' notice or payment in lieu.

Each of independent non-executive Directors and non-executive Directors has entered into a formal appointment letter with the Company for a term of one year 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 Bye-law 87(1) of the Company's Bye-laws, Dato' Lee Boon Han, Mr. Li Mow Ming, Sonny and Mr. Liu Kwok Bond 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. Tan Sri Dato' Nik Hashim Bin Ab. Rahman will retire and being eligible, put himself up for re-election at the forthcoming AGM of the Company.

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 with Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman, a non-executive Director (redesignated from an independent non-executive Director as of 4 October 2010) and Mr. Pieter Lambert Diaz Wattimena, an independent non-executive Director, as members. General Dato' Seri Mohd Azumi (rtd) has resigned and Mr. Li Mow Ming, Sonny has ceased to be a member of Remuneration Committee on 31 May 2010 and 1 June 2010 respectively.

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 15 to 22 and in the section of Directors, Senior Management and Staff on page 30 to 36.

During the year under review, three meetings were 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 *(Chairman)*	3/3
Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman (appointed on 1 June 2010)	1/1
Pieter Lambert Diaz Wattimena (appointed on 1 June 2010)	1/1
General Dato' Seri Mohd Azumi (rtd) (resigned on 31 May 2010)	2/2
Li Mow Ming, Sonny (ceased to be a member on 1 June 2010)	2/2

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 Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman, a non-executive Director (redesignated from an independent non-executive Director as of 4 October 2010), as chairman of the Nomination Committee with Mr. Li Mow Ming, Sonny and Mr. Liu Kwok Bond, independent non-executive Directors, as members. General Dato' Seri Mohd Azumi (rtd) and Mr. Jonathan Michael Caplan QC have resigned as the chairman and a member of the Nomination Committee on 31 May 2010 respectively.

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 redesignation and appointment of the Directors. The attendance records for the Nomination Committee meeting are as follows:

Names of the members	Members' Attendance
Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman (appointed on 1 June 2010)	0/0
Liu Kwok Bond	1/1
Li Mow Ming, Sonny (appointed on 1 June 2010)	0/0
General Dato' Seri Mohd Azumi (rtd) (resigned on 31 May 2010)	1/1
Jonathan Michael Caplan QC (resigned on 31 May 2010)	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 Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman, a non-executive Director (redesignated from an independent non-executive Director as of 4 October 2010), and Mr. Pieter Lambert Diaz Wattimena, an independent non-executive Director, as members. General Dato' Seri Mohd Azumi (rtd) and Mr. Jonathan Michael Caplan QC have resigned as members of the Audit Committee on 31 May 2010.

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2010 and the interim consolidated financial statements for the six months ended 30 June 2010, 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, three meetings were held. The attendance records for the Audit Committee meeting are as follows:

Names of the members	Members' Attendance
Li Mow Ming, Sonny *(Chairman)*	3/3
Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman (appointed on 1 June 2010)	1/1
Pieter Lambert Diaz Wattimena (appointed on 1 June 2010)	1/1
General Dato' Seri Mohd Azumi (rtd) (resigned on 31 May 2010)	2/2
Jonathan Michael Caplan QC (resigned on 31 May 2010)	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. Dato' Lee Boon Han is the chairman of the Executive Committee as appointed on 4 October 2010 and all the executive Directors, namely Mr. Ying Kan Man and Mr. Chong Khing Chung (the Group's chief financial officer who was appointed as an executive Director on 11 February 2010), are the members of the Executive Committee. Ms. Chau Pak Kun was a member of the Executive Committee who has redesignated from an executive Director to a non-executive Director on 11 February 2010 and then has resigned on 4 October 2010. Mr. Raymond Chu Wai Man was the Chairman of the Board and the chairman of the Executive Committee who has resigned the above-mentioned posts and redesignated as a non-executive Director on 4 October 2010.

AUDITOR'S REMUNERATION

For the year ended 31 December 2010, the remuneration in respect of audit services and other service assignment provided by the auditor of the Company, HLB Hodgson Impey Cheng, amounted to HK$4,200,000 and HK$2,040,000 respectively.

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Group's consolidated 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 consolidated financial statements for the year ended 31 December 2010, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated 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 consolidated financial statements of the Company for the year ended 31 December 2010 are set out in the Independent Auditor's Report.

RELATIONS WITH SHAREHOLDERS

The Company's executive Directors and management team 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.

EXECUTIVE DIRECTORS

Dato' Lee Boon Han
Chief Executive Officer

Dato' Lee Boon Han, aged 41, 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. Dato' Lee holds directorships in subsidiary companies of the Group.

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.

As at the Latest Practicable Date, Dato' Lee had an interest in 1,729,000 Shares within the meaning of Part XV of the SFO. Dato' Lee does not have any relationship with any director, senior management, or substantial or controlling shareholder of the Company.

Dato' Lee has entered a service contract with the Company an initial term of two years with directors' emolument specified in his service contract are (i) a fixed salary of HK$3,000,000 per annum and (ii) a year end discretionary bonus; Dato' Lee's emolument was determined with reference to his duties and responsibilities with the Company, the Company's standards for emoluments and market condition. Dato' Lee will be subject to retirement by rotation and re-election at the Company's annual general meeting at least once every three years in accordance with the Bye-law 87(1) of the Company's Bye-laws.

Save as disclosed above, there is no information to be disclosed pursuant to the requirements of Rule 13.51(h) to (w) of the Hong Kong Listing Rules.

Ying Kan Man
Chief Operating Officer

Mr. Ying Kan Man, aged 36, 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 and as the chief operating officer on 10 December 2010, principally responsible for the Group's business development and operation. Mr. Ying holds directorships in subsidiary companies of the Group.

Mr. Ying works with technical partners including 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. Save as disclosed above, he has not held any directorships in listed companies in the last three years.

As at the Latest Practicable Date, Mr. Ying had an interest in 1,525,611 Shares within the meaning of Part XV of the SFO. Mr. Ying does not have any relationship with any director, senior management, or substantial or controlling shareholder of the Company.

Mr. Ying has entered a service contract with the Company an initial term of two years with directors' emolument specified in his service contract are (i) a fixed salary of HK$1,440,000 per annum; (ii) retirement scheme contribution of HK$12,000 per annum; and (iii) a year end discretionary bonus; Mr. Ying's emolument was determined with reference to his duties and responsibilities with the Company, the Company's standards for emoluments and market condition. Mr. Ying will be subject to retirement by rotation and re-election at the Company's annual general meeting at least once every three years in accordance with the Bye-law 87(1) of the Company's Bye-laws.

Chong Khing Chung
Chief Financial Officer

Mr. Chong Khing Chung, aged 43, 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. Mr. Chong holds directorships in subsidiary companies of the Group.

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.

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. Save as disclosed above, he has not held any directorships in listed companies in the last three years.

As at the Latest Practicable Date, Mr. Chong had an interest in 472,500 Shares within the meaning of Part XV of the SFO. Mr. Chong does not have any relationship with any director, senior management, or substantial or controlling shareholder of the Company.

Mr. Chong has entered a service contract with the Company an initial term of two years with directors' emolument specified in his service contract are (i) a fixed salary of HK$1,440,000 per annum; and (ii) a year end discretionary bonus. Mr. Chong's emolument was determined with reference to his duties and responsibilities with the Company, the Company's standards for emoluments and market condition. Mr. Chong will be subject to retirement by rotation and re-election at the Company's annual general meeting at least once every three years in accordance with the Bye-law 87(1) of the Company's Bye-laws.

NON-EXECUTIVE DIRECTORS

Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman
Non-executive Chairman

Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman, aged 68, was appointed as an independent non-executive Director on 1 June 2010. He was appointed as the non-executive Chairman of the Company and redesignated as a non-executive Director on 4 October 2010. He provides guidance for the overall direction and strategy of the Group.

He dedicated over 45 years of his career to the Malaysian government. He started his career in 1963 as a Clerical Officer with the Land Office & General Hospital Kota Bharu, Kelantan. The following year, he was appointed as a police inspector until 1968, when he left on a scholarship to read law. He was admitted as a Barrister at-Law of the Inner Temple, London and upon his return, joined the Judicial and Legal Service ("JLS") of Malaysia.

Tan Sri Dato' Nik Hashim held various posts in the JLS since 1970 as a magistrate in Klang and Kuala Terengganu; President of the Sessions Court in Temerloh and Muar; Deputy Director of the Legal Aid Bureau; Senior Federal Counsel of the Ministry of Housing and Local Government; Judge Advocate, Ministry of Defense; Deputy Public Prosecutor, Sarawak; State Legal Advisor, Terengganu; Senior Federal Counsel (Special Unit) in the Attorney General's Chambers; Deputy Parliamentary Draftsman; Public Trustee and Official Administrator; the first and founding Director General of the Judicial and Legal Training Institute (ILKAP) and Chairman of the Advisory Board in the Prime Minister's Department, Taiping Perak before he was appointed to the Malaysian Judiciary. In 1995, Tan Sri Dato' Nik Hashim was appointed as a Judicial Commissioner of the High Court Malaya. He was confirmed as a Judge of the High Court in 1997, promoted to the Court of Appeal in 2003 and as a Judge of the Federal Court in 2005 until his retirement in July 2009.

He was a member of the Royal Police Force Commission from 2004 to 2008, a member of the Syariah Appeal Court, Kelantan since April 1998 and currently an Adjunct Professor in the Faculty of Law and International Relations of the University of Sultan Zainal Abidin (UniSZA) Malaysia since February 2009.

In recognition of his public service, he was conferred honorary titles from various Sultanates in Malaysia.

Tan Sri Dato' Nik Hashim currently sits on the board of Inch Kenneth Kajang Rubber Public Limited Company and Olympia Industries Bhd, both companies listed on the Bursa Malaysia Securities Berhad, as an independent non-executive director and on the board of Baswell Resourses Bhd, a company listed on the Bursa Malaysia Securities Berhad as an independent and non-executive chairman. Save as disclosed above, he has not held any directorships in other listed companies in the last three years.

As at the Latest Practicable Date, Tan Sri Dato' Nik Hashim does not have any interests or short positions in the Company's shares within the meaning of Part XV of the SFO. Tan Sri Dato' Nik Hashim does not have any relationship with any director, senior management, or substantial or controlling shareholder of the Company.

Under the appointment letter of Tan Sri Dato' Nik Hashim entered into with the Company, the initial term of service is one year with a director's fees of HK$480,000 per annum. Tan Sri Dato' Nik Hashim's emolument was determined with reference to his duties and responsibilities with the Company, the Company's standard for emoluments and in line with market norms. Tan Sri Dato' Nik Hashim will be subject to retirement by rotation and re-election at the Company's annual general meeting at least once every three years in accordance with Bye-law 87(1) of the Company's Bye-laws.

Save as disclosed above, there is no information to be disclosed pursuant to the requirements of Rule 13.51(h) to (w) of the Hong Kong Listing Rules.

Raymond Chu Wai Man

Mr. Raymond Chu Wai Man, aged 48, joined the Group in 1999 as a founder. He was the chairman and chief executive officer of the Company. He stepped down from his positions as the chief executive officer of the Company on 11 February 2010 and as the executive chairman on 4 October 2010. He was redesignated as a non-executive Director on 4 October 2010. Mr. Chu holds directorships in subsidiary companies of the Group.

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. Save as disclosed above, he has not held any directorships in listed companies in the last three years.

As at the Latest Practicable Date, Mr. Chu had an interest in a total of 2,800,000 Shares within the meaning of Part XV of the SFO. Mr. Chu does not have any relationship with any director, senior management or substantial or controlling shareholder of the Company.

Under the appointment letter of Mr. Chu entered into with the Company, the initial term of service is one year with a director's fees of HK$960,000 per annum. Mr. Chu's emolument was determined with reference to his duties and responsibilities with the Company, the Company's standards for emoluments and market condition. Mr. Chu will be subject to retirement by rotation and re-election at the Company's annual general meeting at least once every three years in accordance with the Bye-law 87(1) of the Company's Bye-laws.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Li Mow Ming, Sonny

Mr. Li Mow Ming, Sonny, aged 53, 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.

As at the Latest Practicable Date, Mr. Li had an interest in a total of 80,000 Shares within the meaning of Part XV of the SFO. Mr. Li does not have any relationship with any director, senior management, or substantial or controlling shareholder of the Company.

Under the appointment letter of Mr. Li entered into with the Company, the initial term of service is one year with a director's fees of HK$240,000 per annum. Mr. Li emolument was determined with reference to his duties and responsibilities with the Company, the Company's standards for emoluments and market condition. Mr. Li will be subject to retirement by rotation and re-election at the Company's annual general meeting at least once every three years in accordance with Bye-law 87(1) of the Company's Bye-laws.

Save as disclosed above, there is no information to be disclosed pursuant to the requirements of Rule 13.51(h) to (w) of the Hong Kong Listing Rules.

Liu Kwok Bond

Mr. Liu Kwok Bond, aged 55, 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.

As at the Latest Practicable Date, Mr. Liu had an interest in a total of 80,000 Shares within the meaning of Part XV of the SFO. Mr. Liu does not have any relationship with any director, senior management, or substantial or controlling shareholder of the Company.

Under the appointment letter of Mr. Liu entered into with the Company, the initial term of service is one year with a director's fees of HK$240,000 per annum. Mr. Liu emolument was determined with reference to his duties and responsibilities with the Company, the Company's standards for emoluments and market condition. Mr. Liu will be subject to retirement by rotation and re-election at the Company's annual general meeting at least once every three years in accordance with Bye-law 87(1) of the Company's Bye-laws.

Save as disclosed above, there is no information to be disclosed pursuant to the requirements of Rule 13.51(h) to (w) of the Hong Kong Listing Rules.

Pieter Lambert Diaz Wattimena

Mr. Pieter Lambert Diaz Wattimena, aged 61, was appointed as an independent non-executive Director on 25 March 2010.

Mr. Diaz Wattimena dedicated over 30 years of service 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 of Duty, Air Force Flying Safety and Work in Indonesian National Air Force in 2000, and Director General of for Defense Facility and Procurement in 2005. He was also appointed as a Member of House of Representative/House of Parliament of the Republic of Indonesia from the Indonesia National Army/Police fraction from 1999 to 2004. To date, Mr. Diaz Wattimena is still acts as an adviser to national organisations such as Federation of Indonesia Labour Association for Metals, Electronics and Machines and 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 is currently enrolled in the Institute of Business of Law and Management. He has not held any directorships in listed companies in the last three years.

As at the Latest Practicable Date, Mr. Diaz Wattimena does not have any interests or short positions in the Company's Shares within the meaning of Part XV of the SFO. Mr. Diaz Wattimena does not have any relationship with any director, senior management, or substantial or controlling Shareholder of the Company.

Under the appointment letter of Mr. Diaz Wattimena entered into with the Company, the initial term of service is one year with a director's fees of HK$240,000 per annum. Mr. Diaz Wattimena emolument was determined with reference to his duties and responsibilities with the Company, the Company's standards for emoluments and market condition. Mr. Diaz Wattimena will be subject to retirement by rotation and re-election at the Company's annual general meeting at least once every three years in accordance with Bye-law 87(1) of the Company's Bye-laws.

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 36, 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

Mr. Ng Sow Hua Steven, aged 42, 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 marking 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.

James Shen
Chief Representative of RCG China

Mr. Shen Jing James, aged 48, is the senior vice president of RCG China and the chief representative of RCG Beijing regional office. He joined the Group in October 2006 and is responsible for the Group's business development in the PRC. He has previously worked as sales manager and regional manager in several renowned multi-national companies. Mr. Shen received a Bachelor's degree in Automatic and Computer Control from Beijing Polytechnic University and he has over 20 years of experience in sales and development in the information technology industry.

Chew Tean Danny
Chief Representative of RCG ME

Mr. Chew Tean Danny, aged 38, 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 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

Lo Wah Wai

Mr. Lo, aged 47, 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 13.

Statement of Directors' Responsibilities in respect of Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements for each financial year. The consolidated 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 consolidated 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 consolidated financial statements

- Prepare the consolidated 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 consolidated 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

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") and its subsidiaries (collectively referred to as the "Group") set out on pages 40 to 103, which comprise the consolidated and company statement of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year 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, and for such internal control as directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit, and to report our opinion 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 consolidated 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 2010 and of the Group's loss and cash flows for the year ended 31 December 2010 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

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 25 March 2011

Consolidated Income Statement

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Turnover	8	**3,025,919**	2,450,162
Cost of sales		**(1,875,363)**	(1,203,423)
Gross profit		**1,150,556**	1,246,739
Other operating income	9	**38,899**	2,202
Gain arising on change in fair value of investment properties	17	**1,964**	—
Impairment loss on available-for-sale financial assets	21	**(57,141)**	—
Impairment loss on intangible assets	20	**(339,791)**	—
Impairment loss recognised in respect of goodwill	19	**(145,519)**	—
Selling and distribution costs		**(163,396)**	(198,137)
Administrative expenses		**(480,325)**	(400,056)
Profit from operations	10	**5,247**	650,748
Finance costs	12	**(7,958)**	(5,875)
(Loss)/profit before taxation		**(2,711)**	644,873
Income tax (expense)/credit	13	**(4,263)**	46
(Loss)/profit for the year		**(6,974)**	644,919
Attributable to:			
Owners of the Company		**72,859**	636,048
Non-controlling interests		**(79,833)**	8,871
		(6,974)	644,919
Earnings per share attributable to owners of the Company			
— Basic (HK cents)	14	**25.5**	252.4
— Diluted (HK cents)	14	**25.4**	251.3
Proposed final dividend per share	15	**—**	—

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 2010

	Notes	2010 HK$'000	2009 HK$'000
(Loss)/profit for the year		**(6,974)**	644,919
Other comprehensive income for the year			
Exchange difference arising from translation of investments in foreign subsidiaries		**42,183**	50,969
		42,183	50,969
Total comprehensive profit for the year		**35,209**	695,888
Attributable to:			
Owners of the Company		**114,544**	687,017
Non-controlling interests		**(79,335)**	8,871
		35,209	695,888

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

Consolidated Statement of Financial Position

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**207,578**	206,467
Investment properties	17	**53,188**	—
Prepaid lease payments	18	**33,272**	17,726
Goodwill	19	**53,576**	175,120
Intangible assets	20	**1,228,684**	1,301,651
Available-for-sale financial assets	21	**77,859**	135,000
		1,654,157	1,835,964
Current assets			
Prepaid lease payments	18	**491**	185
Inventories	23	**714,929**	524,119
Trade receivables	24	**1,309,343**	801,827
Deposits, prepayments and other receivables	25	**778,592**	754,694
Cash at bank and on hand	26	**242,300**	312,146
		3,045,655	2,392,971
Assets classified as held for sale	27	**—**	11,735
		3,045,665	2,404,706
Total assets		**4,699,812**	4,240,670
EQUITY			
Owners of the Company			
Share capital	28	**3,015**	2,736
Reserves		**4,051,611**	3,699,001
		4,054,626	3,701,737
Non-controlling interests		**181,997**	181,616
Total equity		**4,236,623**	3,883,353

	Notes	2010 HK$'000	2009 HK$'000
LIABILITIES			
Non-current liabilities			
Interest-bearing borrowings	30	**50,510**	49,660
Obligations under finance leases	31	**368**	174
Deferred tax liabilities	32	**1,242**	1,545
		52,120	51,379
Current liabilities			
Interest-bearing borrowings	30	**213,649**	205,568
Obligations under finance leases	31	**254**	476
Trade payables	33	**165,410**	79,983
Accruals and other payables	34	**30,599**	18,080
Tax payables		**1,157**	1,831
		411,069	305,938
Total liabilities		**463,189**	357,317
Total equity and liabilities		**4,699,812**	4,240,670
Net current assets		**2,634,586**	2,098,768
Total assets less current liabilities		**4,288,743**	3,934,732

The consolidated financial statements were approved and authorised for issue by the board of directors on 25 March 2011 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 Statement of Financial Position

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**3**	4
Investments in subsidiaries	22	**24**	437
		27	441
Current assets			
Amounts due from subsidiaries	22	**423,743**	1,610,097
Deposits, prepayments and other receivables	25	**566**	681
Cash at bank and on hand	26	**239**	8,061
		424,548	1,618,839
Total assets		**424,575**	1,619,280
EQUITY			
Share capital	28	**3,015**	2,736
Reserves	29	**396,754**	1,596,231
Total equity		**399,769**	1,598,967
LIABILITIES			
Current liabilities			
Amount due to a subsidiary	22	**21,772**	16,188
Accruals and other payables	34	**3,034**	4,125
Total liabilities		**24,806**	20,313
Total equity and liabilities		**424,575**	1,619,280
Net current assets		**399,742**	1,598,526
Total assets less current liabilities		**399,769**	1,598,967

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	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	Share issuable 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 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
Profit for the year	–	–	–	–	–	–	–	–	–	636,048	–	636,048	8,871	644,919
Other comprehensive income for the year	–	–	–	–	–	50,969	–	–	–	–	–	50,969	–	50,969
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
Shares issuing expenses	–	(4,862)	–	–	–	–	–	–	–	–	–	(4,862)	–	(4,862)
Script dividends	57	38,341	–	–	–	–	–	–	–	2	(38,400)	–	–	–
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(32,561)	(32,561)
Cancellation of treasury shares	(6)	(6,490)	6,496	–	–	–	–	–	–	–	–	–	–	–
Incorporation of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	5,536	5,536
Proposed final dividends	–	–	–	–	–	–	–	–	–	–	–	–	–	–
As at 31 December 2009 and 1 January 2010	2,736	1,597,158	–	31,126	(872)	(4,187)	83,577	48	–	1,992,151	–	3,701,737	181,616	3,883,353
Profit/(loss) for the year	–	–	–	–	–	–	–	–	–	72,859	–	72,859	(79,833)	(6,974)
Other comprehensive income for the year	–	–	–	–	–	41,685	–	–	–	–	–	41,685	498	42,183
Total comprehensive profit for the year	–	–	–	–	–	41,685	–	–	–	72,859	–	114,544	(79,335)	35,209
Share-based payment	–	–	–	14,246	–	–	–	–	–	–	–	14,246	–	14,246
Exercise of options	14	15,582	–	(5,812)	–	–	–	–	–	–	–	9,784	–	9,784
Lapse of share options	–	–	–	(4,354)	–	–	–	–	–	4,354	–	–	–	–
Cancellation of share options	–	–	–	(3,361)	–	–	–	–	–	3,361	–	–	–	–
Acquisition of a subsidiary	110	92,840	–	–	–	–	–	–	59,150	–	–	152,100	79,282	231,382
Issue of shares upon subscription	155	66,845	–	–	–	–	–	–	–	–	–	67,000	–	67,000
Shares issuing expenses	–	(4,785)	–	–	–	–	–	–	–	–	–	(4,785)	–	(4,785)
Incorporation of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	434	434
Proposed final dividends	–	–	–	–	–	–	–	–	–	–	–	–	–	–
As at 31 December 2010	**3,015**	**1,767,640**	**–**	**31,845**	**(872)**	**37,498**	**83,577**	**48**	**59,150**	**2,072,725**	**–**	**4,054,626**	**181,997**	**4,236,623**

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Cash flows from operating activities			
(Loss)/profit before taxation		**(2,711)**	644,873
Amortisation of intangible assets	20	**216,404**	144,093
Amortisation of prepaid lease payments	18	**272**	218
Depreciation	16	**29,695**	29,703
(Gain)/loss on disposal of property, plant and equipment		**(1,843)**	167
Share-based payment expenses	42	**14,246**	—
Gain arising on change in fair value of investment properties	17	**(1,964)**	—
Provision of obsolescent inventories	23	**14,603**	1,675
Impairment loss on trade receivables	24	**72,178**	18,538
Impairment loss recognised in respect of goodwill	19	**145,519**	—
Impairment loss on intangible assets	20	**339,791**	—
Impairment loss on available-for-sale financial assets	21	**57,141**	—
Bank interest income	9	**(773)**	(1,558)
Write-off of property, plant and equipment	16	**1,789**	1,229
Interest expenses on interest-bearing borrowings and bank overdrafts and finance leases	12	**7,077**	5,042
Operating cash flows before movements in working capital		**891,424**	843,980
Increase in inventories		**(205,413)**	(231,760)
Increase in trade receivables		**(579,092)**	(320,084)
Increase in deposits, prepayments and other receivables		**(23,898)**	(139,984)
Increase in trade payables		**84,795**	6,490
Increase/(decrease) in accruals and other payables		**12,437**	(7,491)
Cash generated from operations		**180,253**	151,151
Bank interest income received		**773**	1,558
Income tax paid		**(7,311)**	(2,065)
Net cash generated from operating activities		**173,715**	150,644
Cash flows from investing activities			
Purchases of property, plant and equipment		**(27,157)**	(60,949)
Purchases of investment properties		**(51,224)**	—
Deposits received for disposal of property, plant and equipment		**—**	1,103
Deposits paid for acquisition for available-for-sale financial assets		**—**	(140,000)
Deposits paid for acquisition for property, plant and equipment		**—**	(67,433)
Increase in fixed deposit		**(18,020)**	—
Investment in intangible assets		**(218,940)**	(171,025)
Net cash paid for acquisition of a subsidiary		**(37,400)**	—
Proceeds from disposal of property, plant and equipment		**14,616**	367
Net cash used in investing activities		**(338,125)**	(437,937)

	Notes	2010 HK$'000	2009 HK$'000
Cash flows from financing activities			
Interest expenses paid on interest-bearing borrowings and bank overdrafts		**(7,077)**	(5,042)
Interest-bearing borrowings received		**366,318**	260,748
Interest-bearing borrowings repaid		**(366,695)**	(196,554)
Capital injection from minority shareholders		**434**	5,536
Proceeds from issue of shares upon subscription		**67,000**	—
Cost of issue of new shares		**(4,785)**	(4,862)
Proceeds from exercise of options		**9,784**	9,451
Proceeds from placing of shares		**—**	193,800
Proceeds from inception of obligations under finance leases		**1,028**	—
Repayment of obligations under finance leases		**(1,075)**	(600)
Dividends paid		**—**	(32,561)
Net cash generated from financing activities		**64,932**	229,916
Net decrease in cash and cash equivalents for the year		**(99,478)**	(57,377)
Cash and cash equivalents at beginning of the year		**312,146**	320,319
Effect of foreign exchange rate changes		**7,887**	49,204
Cash and cash equivalents at end of the year	26	**220,555**	312,146
Analysis of the balances of cash and cash equivalents:			
Cash at bank and in hand		**242,300**	312,146
Fixed deposits		**(21,745)**	—
Cash and cash equivalents at end of the year	26	**220,555**	312,146

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

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 22.

2. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board. In addition, the consolidated 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.

3. BASIS OF PREPARATION

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

The consolidated 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 consolidated financial statements are set out in note 6. These policies have been consistently applied to all the years presented, unless otherwise stated.

Certain comparative figures of prior years have been re-presented to conform with current year's presentation.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 1 (Revised)	*First-time Adoption of International Financial Reporting Standards*
IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Additional Exemptions for First-time Adopters*
IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment — Group Cash-settled Share-based Payment Transactions*
IFRS 3 (Revised)	*Business Combinations*
IAS 27 (Revised)	*Consolidated and Separate Financial Statements*
IAS 39 Amendment	Amendment to IAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*
IFRIC 17	*Distributions of Non-cash Assets to Owners*
IFRS 5 Amendments included in *Improvements to IFRSs* issued in May 2008	Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to sell the controlling interest in a subsidiary*
Improvements to IFRSs 2009	Amendments to a number of IFRS issued in April 2009

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Other than as further explained below regarding the impact of IFRS 3 (Revised), IAS 27 (Revised) and amendments to IAS 7, IAS 17 and IAS 36 included in Improvements to IFRSs 2009 and, the adoption of the new and revised IFRSs has had no significant financial effect on these consolidated financial statements.

The principal effects of adopting these new and revised IFRSs are as follows:

(a) IFRS 3 (Revised) *Business Combinations* and IAS 27 (Revised) *Consolidated and Separate Financial Statements*

IFRS 3 (Revised) *Business Combinations* introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. These changes, include, but are not limited to (i) introducing an option to measure non-controlling interests (currently the minority interests) at fair value; (ii) recognising gains or losses from remeasuring to the fair value the interest in the acquiree held by the entity immediately before the business combination, in a step acquisition; (iii) expensing acquisition costs as incurred; (iv) recognising the fair value of contingent considerations at the acquisition date with subsequent changes generally reflected in the income statement; and (v) separately accounting for pre-existing relationships between the acquirer and acquiree. The change in accounting policy was applied prospectively and had no material impact on earnings per share. The Group has applied the acquisition method for the business combination that occurred during the year ended 31 December 2010.

IAS 27 (Revised) *Consolidated and Separate Financial Statements* requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The revised standard does not have material impact on the Group's consolidated financial statement.

The changes introduced by these revised standards are applied prospectively.

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

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

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

- IAS 36 Impairment of Assets: Clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment as defined in IFRS 8 Operating Segments before aggregation for financial reporting purposes.

5. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these consolidated financial statements.

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

Apart from the above, the IASB has issued Improvements to IFRSs 2010 which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 3 and IAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRC-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard or interpretation.

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

Further information about those changes that are expected to affect the Group is as follows:

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

5. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

In October 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of these Additions.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting and impairment of financial assets continues to apply.

IAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures as the Group currently does not have any significant transactions with government-related entities.

Improvements to IFRSs 2010 issued in May 2010 sets out amendments to a number of IFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have impact on the Group's policies are as follows:

(a) IFRS 3 *Business Combinations*: Clarifies that the amendments to IFRS 7, IAS 32 and IAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS.

The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

(b) IAS 1 *Presentation of Financial Statements*: Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

(c) IAS 27 *Consolidated and Separate Financial Statements*: Clarifies that the consequential amendments from IAS 27 (as revised in 2008) made to IAS 21, IAS 28 and IAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if IAS 27 is applied earlier.

(d) IFRIC 13 *Customer Loyalty Programmes*: Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amounts of discounts or incentives otherwise granted to customers not participating in the award credit scheme are to be taken into account.

6. SIGNIFICANT ACCOUNTING POLICIES

(a) 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 in full 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 non-controlling interests' share of changes in equity since the date of the combination. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if the results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses the control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interests and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts of fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed the relevant assets. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Business combinations

Business combination prior to 1 January 2010

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 non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Business combination on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 (Revised) are recognised at their fair values, except that:

— deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

— liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with HKFRS 2 *Share-based Payment*; and

— assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Business combinations (Continued)

Business combination on or after 1 January 2010 (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

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.

(d) 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.

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) 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.

(e) Assets classified as held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through as sale transaction rather than continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after that sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(f) Revenue recognition

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

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Revenue recognition (Continued)

Sale of goods

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

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

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

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

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

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

Rendering of services

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

Interest income

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

Rental income

The Group's policy for recognition of revenue from operating leases is described as below relevant note.

(g) Property, plant and equipment

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

Land and buildings	2%
Leasehold improvements	20%
Furniture, fixtures and equipment	20%
Showroom equipment	$33^1/_3$%
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.

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

(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.

(k) Foreign currencies

The individual consolidated 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 consolidated 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.

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Foreign currencies (Continued)

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.

(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 consolidated 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 arise 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.

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Taxation (Continued)

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.

(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.

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Pensions (Continued)

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.

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.

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Financial instruments (Continued)

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.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

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

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

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Leasing (Continued)

The Group as lessee (Continued)

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Contingent rentals arising under operating leases are recognised as expenses in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives is recognised as reduction of rental expense on straight-line basis, except where another systematic is more representive of the time pattern in which economic benefits from the leased asset are consumed.

(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 are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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.

(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.

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

7. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated 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 consolidated 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. 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.

(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.

7. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(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.

8. 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 business and geographic perspectives. From a business perspective, key management assesses the performance of Consumer, Enterprise and 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, m-series fingerprint doorlocks* 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 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 the Group's internally developed software and hardware capabilities supported by the Group's 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.

8. SEGMENT INFORMATION (Continued)

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

	Consumer		Enterprise		Solutions, Projects and Services		Unallocated		Total	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Turnover										
– external sales	**1,183,297**	807,064	**1,054,599**	975,593	**788,023**	667,505	**–**	–	**3,025,919**	2,450,162
Segment results	**338,600**	365,066	**445,300**	500,527	**366,656**	381,146	**–**	–	**1,150,556**	1,246,739
Unallocated other operating income							**38,899**	2,202	**38,899**	2,202
Gain arising on change in fair value of investment properties							**1,964**	–	**1,964**	–
Depreciation	**(9,071)**	(6,339)	**–**	(6,339)	**(10)**	–	**(20,614)**	(17,025)	**(29,695)**	(29,703)
Amortisation of prepaid lease payments	**–**	–	**–**	–	**–**	–	**(272)**	(218)	**(272)**	(218)
Amortisation of intangible assets	**(27,535)**	(6,083)	**(27,559)**	(18,077)	**(161,310)**	(119,933)	**–**	–	**(216,404)**	(144,093)
Impairment loss on available-for-sale financial assets	**–**	–	**–**	–	**–**	–	**(57,141)**	–	**(57,141)**	–
Impairment loss on intangible assets	**(6,557)**	–	**(8,505)**	–	**(324,729)**	–	**–**	–	**(339,791)**	–
Impairment loss recognised in respect of goodwill	**(129,065)**	–	**(16,454)**	–	**–**	–	**–**	–	**(145,519)**	–
Unallocated expenses							**(397,350)**	(424,179)	**(397,350)**	(424,179)
Finance costs							**(7,958)**	(5,875)	**(7,958)**	(5,875)
(Loss)/profit before taxation							**(442,472)**	(445,095)	**(2,711)**	644,873
Income tax (expense)/credit							**(4,263)**	46	**(4,263)**	46
(Loss)/profit for the year							**(446,735)**	(445,049)	**(6,974)**	644,919
Segment assets	**972,205**	811,035	**987,826**	1,007,007	**1,429,303**	1,671,560	**1,310,478**	751,068	**4,699,812**	4,240,670
Segment liabilities	**74,504**	29,377	**53,741**	31,574	**31,165**	19,032	**303,779**	277,334	**463,189**	357,317
Other segment information:										
Additions to non-current assets	**37,400**	9,600	**101,790**	147,125	**79,750**	14,300	**27,159**	60,949	**246,099**	231,974
Depreciation	**9,071**	6,339	**–**	6,339	**10**	–	**20,614**	17,025	**29,695**	29,703
Amortisation of prepaid lease payments	**–**	–	**–**	–	**–**	–	**272**	218	**272**	218
Amortisation of intangible assets	**27,535**	6,083	**27,559**	18,077	**161,310**	119,933	**–**	–	**216,404**	144,093
Impairment loss recognised in respect of goodwill	**129,065**	–	**16,454**	–	**–**	–	**–**	–	**145,519**	–
Impairment loss on intangible assets	**6,557**	–	**8,505**	–	**324,729**	–	**–**	–	**339,791**	–
Impairment loss on available-for-sale financial assets	**–**	–	**–**	–	**–**	–	**57,141**	–	**57,141**	–

8. SEGMENT INFORMATION (Continued)

Revenue from major products and services

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

	2010 HK$'000	2009 HK$'000
Consumer products	**1,183,297**	807,064
Enterprise products	**1,054,599**	975,593
Biometric application	**419,016**	280,716
RFID solutions	**369,007**	386,789
	3,025,919	2,450,162

Geographical information

The Group operates in three principal geographical areas — Southeast Asia, Greater China and the 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	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Southeast Asia	**1,734,353**	1,321,231	**515,767**	605,196
Greater China	**777,270**	663,494	**425,376**	417,375
Middle East	**506,286**	455,884	**205,943**	219,642
Others	**8,010**	9,553	**3,470**	4,526
	3,025,919	2,450,162	**1,150,556**	1,246,739

	Segment assets		Segment liabilities		Additions to non-current assets		Amortisation and depreciation	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Southeast Asia	**1,319,337**	1,150,577	**193,767**	113,706	**218,942**	60,560	**15,184**	9,486
Greater China	**3,376,752**	3,086,150	**267,619**	243,138	**—**	171,396	**230,962**	164,306
Middle East	**3,723**	3,943	**1,803**	473	**27,157**	18	**225**	222
	4,699,812	4,240,670	**463,189**	357,317	**246,099**	231,974	**246,371**	174,014

Information about major customers

Revenue of approximately HK$327,686,000 (2009: Nil) which arose from sales to the Group's largest customer and contributes 10% or more to the Group's revenue.

9. OTHER OPERATING INCOME

	2010 HK$'000	2009 HK$'000
Bank interest income	**773**	1,558
Rental income	**872**	—
Gain on disposal of property, plant and equipment	**1,843**	—
Reversal of impairment loss on trade receivables	**262**	—
Reversal of impairment loss on trade deposits	**157**	—
Foreign exchange gain	**32,415**	—
Sundry income	**2,577**	644
	38,899	2,202

10. PROFIT FROM OPERATIONS

The profit from operations is stated after charging/(crediting):

	Notes	2010 HK$'000	2009 HK$'000
Depreciation			
— Owned assets	16	**29,462**	29,101
— Assets held under finance leases	16	**233**	602
		29,695	29,703
Cost of inventories sold		**1,875,363**	1,203,423
Amortisation of prepaid lease payments	18	**272**	218
Amortisation of intangible assets	20	**216,404**	144,093
Write-off of property, plant and equipment	16	**1,789**	1,229
(Gain)/loss on disposal of property, plant and equipment	19	**(1,843)**	167
Impairment loss recognised in respect of goodwill	20	**145,519**	—
Impairment loss on intangible assets	21	**339,791**	—
Impairment loss on available-for-sale financial assets	24	**57,141**	—
Impairment loss on trade receivables	24	**72,178**	18,538
Reversal of impairment loss on trade receivables	24	**(262)**	—
Reversal of impairment loss on trade deposits		**(157)**	—
Provision of obsolescent inventories	23	**14,603**	1,675
Foreign exchange (gain)/loss		**(32,415)**	13,256
Auditors' remuneration			
— Audit services		**4,200**	3,693
— Other services		**2,040**	—
Research and development expenses		**1,519**	2,509
Operating lease rentals in respect of premises		**13,329**	18,619
— Direct operating expenses from investment properties that generated rental income during the year		**105**	—
— Direct operating expenses from investment properties that did not generate rental income during the year		**158**	—
Staff costs, including directors' remuneration	11	**74,023**	113,058

11. STAFF COSTS AND THE FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

	Directors' fees		Salaries and bonus		Retirement scheme contribution		Employee share option benefits		Total	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Executive directors:										
Dato' Lee Boon Han	–	–	3,000	9,093	–	–	3,092	–	6,092	9,093
Ying Kan Man	–	–	1,334	520	9	1	1,237	–	2,580	521
Chong Khing Chung[2]	–	–	1,334	–	–	–	1,237	–	2,571	–
	–	–	5,668	9,613	9	1	5,566	–	11,243	9,614
Non-executive directors:										
Raymond Chu Wai Man[7]	232	–	6,823	45,886	10	12	–	–	7,065	45,898
Chau Pak Kun[6]	568	–	640	12,643	–	12	–	–	1,208	12,655
General Dato' Seri Mohd Azumi (rtd)[4]	150	350	–	–	–	–	31	–	181	350
Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman[5]	160	–	–	–	–	–	–	–	160	–
	1,110	350	7,463	58,529	10	24	31	–	8,614	58,903
Independent non-executive directors:										
Liu Kwok Bond	240	240	–	–	–	–	247	–	487	240
Jonathan Michael Caplan QC[4]	149	360	–	–	–	–	62	–	211	360
Li Mow Ming Sonny[1]	240	230	–	–	–	–	247	–	487	230
Pieter Lambert Diaz Wattimena[3]	180	–	–	–	–	–	–	–	180	–
	809	830	–	–	–	–	556	–	1,365	830
	1,919	1,180	13,131	68,142	19	25	6,153	–	21,222	69,347

Notes:

1 Appointed on 19 January 2009
2 Appointed on 11 February 2010
3 Appointed on 25 March 2010
4 Resigned on 31 May 2010
5 Appointed on 1 June 2010 and redesignated from independent non-executive director to non-executive director on 4 October 2010
6 Redesignated from executive director to non-executive director on 11 February 2010 and resigned on 4 October 2010
7 Redesignated from executive director to non-executive director on 4 October 2010

11. STAFF COSTS AND THE FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Key management personnel

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

	2010 HK$'000	2009 HK$'000
Salaries and bonus	**18,299**	72,617
Retirement scheme contribution	**129**	191
Employee share option benefits	**7,389**	—
	25,817	72,808

(c) Employee

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

	2010 HK$'000	2009 HK$'000
Wages, salaries and bonus	**34,942**	34,282
Retirement scheme contribution	**4,357**	3,604
Welfare	**2,050**	2,364
Employee share option benefits	**6,857**	—
	48,206	40,250

(d) Five highest paid individuals

The five highest paid individuals of the Group include 4 (2009: 3) directors of the Company.

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

	2010 HK$'000	2009 HK$'000
Salaries and bonus	**13,537**	69,242
Retirement scheme contribution	**117**	131
Employee share option benefits	**6,338**	—
	19,992	69,373

11. 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:

	2010	2009
Nil–HK$1,000,000	—	2
HK$1,000,001–HK$2,000,000	1	—
HK$2,000,001–HK$3,000,000	2	—
HK$3,000,001–HK$4,000,000	—	—
HK$4,000,001–HK$5,000,000	—	—
HK$5,000,001–HK$10,000,000	2	1
HK$10,000,001–HK$20,000,000	—	1
HK$20,000,001 or above	—	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.

12. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Bank charges	881	833
Interests on interest-bearing borrowings and bank overdrafts wholly repayable within five years	4,496	3,667
Interests on interest-bearing borrowings and bank overdrafts wholly repayable over five years	2,470	1,362
Interest on obligations under finance leases	111	13
	7,958	5,875

13. INCOME TAX EXPENSE/(CREDIT)

	2010 HK$'000	2009 HK$'000
Current tax expense in respect of the current year:		
— Hong Kong	—	—
— Malaysia	1,249	3,063
Under provision of tax in the prior years	3,393	196
	4,642	3,259
Deferred tax (Note 32)	(379)	(3,305)
	4,263	(46)

Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profits for the year.

Malaysian Income Tax is calculated at the statutory tax rate of 25% (2009: 25%) 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% (2009: 20%) for the year and the amount of chargeable income exceeding Malaysian Ringgit 500,000 is charged at the rate of 25% (2009: 25%) for the year.

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

The income tax expense for the year (2009: income tax credit) can be reconciled to the loss (2009: profit) before taxation per the consolidated income statement as follows:

	2010 HK$'000	2009 HK$'000
(Loss)/profit before taxation	(2,711)	644,873
Income tax expense calculated at 25%	(678)	161,218
Tax effect of recognised temporary difference	(379)	(3,305)
Effect of income that is exempt from taxation	(396,815)	(117,420)
Tax effect of temporary differences not recognised	1,993	—
Under provision in respect of prior years	3,393	196
Effects of expenses that are not deductible in determining taxation purposes	409,474	28,766
Effect of different tax rates of subsidiaries operating in other jurisdictions	(28,682)	(87,012)
Effect of estimated tax losses not recognised	15,957	17,511
	4,263	(46)

14. EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on the Group's profit attributable to owners of the Company of HK$72,859,000 (2009: HK$636,048,000) and the weighted average number of ordinary shares in issue during the year of 285,503,967 (2009: 252,004,941).

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 owners of the Company of HK$72,859,000 (2009: HK$636,048,000) and the weighted average number of ordinary shares for the purpose of diluted earnings per share during the year of 286,195,026 (2009: 253,094,099).

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:

	2010	2009
Basic earnings per share		
Earnings used in the calculation of basic earning per share	**HK$72,859,000**	HK$636,048,000
Weighted average number of ordinary shares for the purposes of basic earnings per share	**285,503,967**	252,004,941
Diluted earnings per share		
Earnings used in the calculation of diluted earning per share	**HK$72,859,000**	HK$636,048,000
Weighted average number of ordinary shares for the purposes of basic earnings per share	**285,503,967**	252,004,941
Shares deemed to be issued for no consideration in respect of share options	**691,059**	1,089,158
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**286,195,026**	253,094,099

15. DIVIDENDS

The dividends paid in scrip form during the year ended 31 December 2010 was nil (2009: HK$38,398,000) in respect of the final dividends declared for the year ended 31 December 2008.

The directors of the Company do not recommend the payment of a final dividend in respect of the year ended 31 December 2010 (2009: Nil).

16. 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 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 and 1 January 2010	–	109,045	53,168	65,270	3,335	2,000	5,902	65,958	–	304,678
Additions	–	4,517	3,595	2,263	332	–	2,378	–	–	13,085
Written off	–	–	(7,894)	(1,248)	(3,212)	–	–	–	–	(12,354)
Disposals	–	–	(41)	(475)	–	–	(543)	–	–	(1,059)
Exchange alignment	–	12,545	4,644	5,621	14	–	454	28	–	23,306
As at 31 December 2010	–	126,107	53,472	71,431	469	2,000	8,191	65,986	–	327,656
Accumulated depreciation										
As at 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
Reclassification	–	(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 and 1 January 2010	–	727	12,675	24,150	3,055	2,000	3,677	51,927	–	98,211
Charge for the year	–	2,358	5,663	11,275	223	–	1,095	9,081	–	29,695
Written off	–	–	(6,521)	(915)	(3,129)	–	–	–	–	(10,565)
Disposals	–	–	(24)	(300)	–	–	(182)	–	–	(506)
Exchange alignment	–	180	514	2,221	11	–	310	7	–	3,243
As at 31 December 2010	–	3,265	12,307	36,431	160	2,000	4,900	61,015	–	120,078
Net book value										
As at 31 December 2010	**–**	**122,842**	**41,165**	**35,000**	**309**	**–**	**3,291**	**4,971**	**–**	**207,578**
As at 31 December 2009	–	108,318	40,493	41,120	280	–	2,225	14,031	–	206,467

The Group's land and buildings with a net book value of approximately HK$138,111,000 (2009: HK$108,318,000) were pledged to secure the interest-bearing borrowings of the Group as at 31 December 2010.

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group (Continued)

As at 31 December 2010, the net book value of the Group's motor vehicles included an amount of approximately HK$1,258,000 (2009: HK$1,234,000) in respect of assets held under finance leases.

The Company

	Furniture, fixtures and equipment HK$'000
Cost	
As at 1 January 2009 and 31 December 2009	32
Additions	4
Written off	(32)
As at 31 December 2010	4
Accumulated depreciation	
As at 1 January 2009	22
Charge for the year	6
As at 31 December 2009 and 1 January 2010	28
Charge for the year	4
Written off	(31)
As at 31 December 2010	1
Net book value	
As at 31 December 2010	**3**
As at 31 December 2009	4

17. INVESTMENT PROPERTIES

	2010 HK$'000	2009 HK$'000
Fair value		
As at the beginning of the year	—	—
Additions	51,224	—
Gain arising on change in fair value	1,964	—
As at the end of the year	53,188	—

The investment properties of the Group were revalued at 31 December 2010 on a basis of a valuation carried out on that date by Vigers Appraisal and Consulting Limited, independent property valuers. Vigers Appraisal and Consulting Limited have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties. The revaluation gave rise to a fair value gain of HK$1,964,000 which has been recognised in the consolidated income statement.

The Group's land included in investment properties is situated in Mainland China and under a medium-term lease.

18. PREPAID LEASE PAYMENTS

The Group

	2010 HK$'000	2009 HK$'000
Cost		
As at the beginning of the year	**18,471**	18,307
Additions	**14,072**	—
Exchange alignment	**2,125**	164
As at the end of the year	**34,668**	18,471
Accumulated amortisation		
As at the beginning of the year	**560**	333
Amortisation during the year	**272**	218
Exchange alignment	**73**	9
As at the end of the year	**905**	560
Carrying value		
As at the end of the year	**33,763**	17,911

	2010 HK$'000	2009 HK$'000
Land outside Hong Kong held on:		
— Leases of within 1 year	**491**	185
— Leases of later than 1 year and not later than 5 years	**1,973**	740
— Leases of later than 5 years	**31,299**	16,986
	33,763	17,911
Less: current portion	**(491)**	(185)
	33,272	17,726

18. PREPAID LEASE PAYMENTS (Continued)

The Group (Continued)

	2010 HK$'000	2009 HK$'000
Long term lease (i)	**19,763**	17,911
Medium term lease (ii)	**14,000**	—
	33,763	17,911

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

(ii) The prepaid lease payments represented a land in PRC with a lease period of 50 years.

19. GOODWILL

The Group

	2010 HK$'000	2009 HK$'000
Cost		
As at the beginning of the year	**175,120**	173,570
Additional amounts recognised from business combinations occurred during the year	**4,510**	—
Exchange alignment	**20,147**	1,550
As at the end of the year	**199,777**	175,120
Accumulated impairment losses		
As at the beginning of the year	**—**	—
Impairment loss recognised during the year	**145,519**	—
Exchange alignment	**682**	—
As at the end of the year	**146,201**	—
Carrying amount		
As at the end of the year	**53,576**	175,120

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

	2010 HK$'000	2009 HK$'000
Hyperstore distribution of IT related products and security equipments	**—**	37,253
Computer accessories	**—**	78,496
Software development	**53,576**	59,371
	53,576	175,120

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

19. GOODWILL (Continued)

The Group (Continued)

The recoverable amounts of the CGUs are determined from value-in-use calculations for 31 December 2010 and 2009. The key assumptions for the value-in-use calculations are those regarding the discount rates and growth rates. The directors of the Company 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 past performance and its expectations for the development of the market.

The key assumptions used for value-in-use calculations for 31 December 2010 and 2009 are as follows:

	Hyperstore distribution	Computer accessories	Software development
As at 31 December 2010			
Growth rate	**2%–3%**	**2%–3%**	**2%**
Discount rate	**14.75%**	**14.75%**	**13.08/15.88%**
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%

For the year ended 31 December 2010, the directors of the Company had assessed the recoverable amount of the CGUs that total impairment losses in the amount of HK$145,519,000 (2009: Nil) were recognised as the recoverable amount of the CGUs are less than the carrying amount of the CGUs. The recoverable amount of the CGUs are determined based on value-in-use calculations. The calculation uses cash flow projections based on financial budgets approved by directors of the Company covering a five-year period. Cash flows beyond the five year period are extrapolated using the estimated growth rate, which does not exceed the projected long-term average growth rate.

20. 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 2009	148	174,280	1,199,321	1,373,749
Additions	—	171,025	—	171,025
Exchange alignment	—	(970)	—	(970)
As at 31 December 2009 and 1 January 2010	148	344,335	1,199,321	1,543,804
Additions	—	218,942	—	218,942
Additions arising from acquisition of subsidiaries	—	—	264,286	264,286
Exchange alignment	—	—	—	—
As at 31 December 2010	148	563,277	1,463,607	2,027,032
Accumulated amortisation and impairment				
As at 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 and 1 January 2010	148	34,408	207,597	242,153
Amortisation for the year	—	37,739	178,665	216,404
Impairment loss recognised during the year	—	15,062	324,729	339,791
As at 31 December 2010	148	87,209	710,991	798,348
Carrying amounts				
As at 31 December 2010	**—**	**476,068**	**752,616**	**1,228,684**
As at 31 December 2009	—	309,927	991,724	1,301,651

Amortisation charge of HK$216,404,000 (2009: HK$144,093,000) 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. An impairment loss of approximately HK$339,791,000 (2009: Nil) on intangible assets "product development and design" and "contract rights" were recognised for the year ended 31 December 2010.

The directors of the Company had assessed the recoverable amount of intangible assets as at 31 December 2010 and 31 December 2009 by reference to the valuation as at 31 December 2010 and 31 December 2009 respectively performed by Vigers Appraisal and Consulting Limited, an independent firm of qualified valuer.

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group

	2010 HK$'000	2009 HK$'000
Unlisted equity securities incorporated outside Hong Kong, at cost less accumulated impairment losses	**77,859**	135,000

As at 31 December 2010 and 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 2010 and 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 preformed by Vigers Appraisal and Consulting Limited. The valuation, which conforms to International Valuations Standards, was determined by reference to discounted cash flows using a discount rate of 14.33% (2009: 10.66%). The effective date of the valuation is 31 December 2010 and 31 December 2009. An impairment loss of approximately HK$57,141,000 on available-for-sale financial assets was recognised for the year ended 31 December 2010 (2009: Nil).

22. INVESTMENTS IN SUBSIDIARIES

The Company

	2010 HK$'000	2009 HK$'000
Unlisted shares, at cost	**24**	437
	24	437
Due from subsidiaries (a)	**423,743**	1,610,097
	423,767	1,610,534

22. INVESTMENTS IN SUBSIDIARIES (Continued)

(a) An analysis of the amounts due from subsidiaries is listed below:

The Company

	2010 HK$'000	2009 HK$'000
Due from subsidiaries	**1,753,603**	1,610,097
Less: impairment	**(1,329,860)**	—
	423,743	1,610,097

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed repayment terms. In the opinion of the directors of the Company, the carrying amounts of the amounts due from subsidiaries approximate to their fair values.

For the year ended 31 December 2010, the directors of the Company had assessed the recoverable amounts of the amounts due from subsidiaries after considering profitability, cash flow position, financial position, forecast business development and future prospects of the subsidiaries. Based on this assessment, the directors of the Company consider that the carrying values of the amounts due from subsidiaries net of the impairment losses recognised approximate to their recoverable amounts.

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
RCG Malaysia Sdn. Bhd.	Malaysia 7 December 2006	RM2	100%	Investment holding
Towards Soft Technology Sdn. Bhd.	Malaysia 23 June 2005	RM100,000	100%	Software development

22. 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 (Macao Commercial Offshore) Company Limited	Macau 30 September 2004	MOP100,000	100%	Trading of biometric products
RCG Corporation Limited	Hong Kong 26 November 1999	HK$2	100%	Hardware and software development
RCG (Hong Kong) Limited	Hong Kong 16 June 2006	HK$1	100%	Biometric and security solutions
RCG (M.E.) Fzco	United Arab Emirates 19 August 2006	AED500,000	100%	Trading of biometric security products
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
Vast Base Technology Limited	BVI 30 July 2007	US$10,000	80%	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
RCG Network Sdn. Bhd.	Malaysia 13 November 2009	RM5,000,000	51%	Provision of information database for internet solutions
Strong Aim Limited	BVI 16 October 2008	US$100	70%	Development and sale of RFID-related products
Vast Base Msc Sdn. Bhd.	Malaysia 22 January 2009	RM5,000,010	100%	Research and development of RFID solution and provision of consultancy services
RCG Matrix Sdn. Bhd.	Malaysia 13 July 2009	RM40,000,000	100%	Business of trading and distribution of the computer technology products

* Wholly-owned foreign enterprises in the PRC.

23. INVENTORIES

The Group

	2010 HK$'000	2009 HK$'000
Raw materials	**677,109**	332,283
Finished goods and goods for sale	**52,423**	193,511
	729,532	525,794
Less: Provision for obsolescent inventories	**(14,603)**	(1,675)
	714,929	524,119

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

24. TRADE RECEIVABLES

The Group

	2010 HK$'000	2009 HK$'000
0–30 days	**219,038**	217,302
31–60 days	**200,661**	218,711
61–90 days	**229,961**	181,726
91–180 days	**304,521**	160,797
Over 180 days	**449,792**	44,816
	1,403,973	823,352
Impairment loss on trade receivables	**(94,630)**	(21,525)
	1,309,343	801,827

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.

Past due but not impaired

Included in the Group's trade receivables balances are debts with carrying amount of HK$355,162,000 (2009: HK$23,291,000) which were past due at the end of the reporting period 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.

24. TRADE RECEIVABLES (Continued)

Age of trade receivables that are past due but not impaired

The Group

	2010 HK$'000	2009 HK$'000
Over 180 days	**355,162**	23,291

Impaired trade receivables

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base is 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.

Reconciliation of impaired trade receivables

	2010 HK$'000	2009 HK$'000
Balance at beginning of the year	**21,525**	2,451
Impairment losses recognised on trade receivable	**72,178**	18,538
Impairment losses reversed	**(262)**	—
Exchange alignment	**1,189**	536
Balance at end of the year	**94,630**	21,525

For the year ended 31 December 2010, the directors of the Company had assessed the recoverable amounts of trade receivables, recognised impairment losses on trade receivable of approximately HK$72,178,000 had been pursued through legal means. The Group does not hold any collateral over these balances.

In prior year, impaired trade receivables with a balance of approximately HK$18,538,000 have been placed under liquidation. This impairment recognised represents 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.

Age of impaired trade receivables

The Group

	2010 HK$'000	2009 HK$'000
0–30 days	**4,994**	—
31–60 days	**1,333**	—
61–90 days	**4,604**	—
91–180 days	**15,836**	—
Over 180 days	**67,863**	21,525
	94,630	21,525

25. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	The Group		The Company	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Investment deposit	—	140,000	—	—
Trade deposits	771,301	537,875	—	—
Prepayments and other deposits	4,195	76,819	566	681
Other receivables	3,096	—	—	—
	778,592	754,694	566	681

26. CASH AT BANK AND ON HAND

	The Group		The Company	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Deposits with banks and other financial institutions	224,427	258,526	—	—
Cash at bank and on hand	17,873	53,620	239	8,061
	242,300	312,146	239	8,061
Less: Fixed deposits	(21,745)	—	—	—
Cash and cash equivalents	220,555	312,146	239	8,061

The Group's bank deposits of approximately HK$21,924,000 (2009: HK$185,700,000) were pledged to secure the interest-bearing borrowings of the Group as at 31 December 2010 and 31 December 2009.

Included in cash at bank and on 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	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
British Pounds	130,596	180,520	—	248
Malaysian Ringgit	42,014	98,439	—	—
US Dollars	67,658	23,655	—	81
Renminbi	862	851	—	115
United Arab Emirates Dirham	102	165	—	—
Thai Baht	51	109	—	—
Singaporean Dollars	2	156	—	20

27. ASSETS CLASSIFIED AS HELD FOR SALE

The Group

	2009 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.

28. SHARE CAPITAL

The Group and the Company

	Notes	Number of shares issued 2010	Number of shares issued 2009	Par value 2010 HK$'000	Par value 2009 HK$'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		**273,563,555**	232,267,677	**2,736**	2,323
Cancellation of treasury shares	(i)	**–**	(657,677)	**–**	(6)
Issue of shares	(ii)	**–**	15,000,000	**–**	150
Issue of shares on acquisition of subsidiaries	(iii)	**11,000,000**	–	**110**	–
Issue of shares upon subscription	(iv)	**15,500,000**	–	**155**	–
Exercise of share options	(v)	**1,410,000**	1,265,000	**14**	12
Script dividends	(vi)	**–**	5,688,555	**–**	57
Placing of shares	(vii)	**–**	20,000,000	**–**	200
At end of the year		**301,473,555**	273,563,555	**3,015**	2,736

28. SHARE CAPITAL (Continued)

The Group and the Company (Continued)

The following movements in the Company's authorised and issued share capital took place during the period from 1 January 2009 to 31 December 2010:

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

(ii) 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.

(iii) On 3 May 2010, the Group acquired 70% of the entire issued share capital of Strong Aim Limited ("Strong Aim"), for an aggregate consideration of approximately HK$189,500,000, which shall be satisfied by the allotment and issue of 18,000,000 ordinary shares of the Company credited as fully paid and approximately HK$37,400,000 in cash. Pursuant to the agreement, 11,000,000 ordinary shares were issued upon completion of the acquisition while the other 7,000,000 ordinary shares to be issued subject to the accumulated audited consolidated net profit after taxation of Strong Aim achieved during the four years period between 1 January 2010 and 31 December 2013 (note 35).

(iv) Pursuant to the subscription agreements dated 15 July 2010, the Company allotted and issued an aggregate of 5,000,000 shares of HK$0.01 each to independent subscribers at a price of HK$5.00 (42.16 pence) per share on 21 July 2010. The net proceeds of approximately HK$23,000,000 were used to finance the anticipated new projects in the Group's Solutions, Projects and Services business segment for public and private sector customers in the Southeast Asia and the Greater China regions.

Pursuant to the subscription agreements dated 11 November 2010, the Company allotted and issued an aggregate of 10,500,000 shares of HK$0.01 each to independent subscribers at a price of HK$4.00 (32.03 pence) per share on 11 November 2010. The net proceeds of approximately HK$39,900,000 were used to fund the Group's research and development activities.

(v) 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.

By a resolution dated 5 May 2010, the Company resolved to issue a total of 960,000 shares of HK$0.01 each to certain option holders following the exercise of 960,000 options from these option holders at the exercise price of HK$8.21 each for a total cash consideration, before related expenses, of approximately HK$7,881,000.

By a resolution dated 30 September 2010, the Company resolved to issue a total of 450,000 shares of HK$0.01 each to certain option holders following the exercise of 450,000 options from these option holders at the exercise price of HK$ 4.23 each for a total cash consideration, before related expenses, of approximately HK$1,903,000.

28. SHARE CAPITAL (Continued)

The Group and the Company (Continued)

(vi) 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 2008.

(vii) 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$188,960,000 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.

29. RESERVES

The Company

	Share premium HK$'000 (Note a)	Treasury shares HK$'000	Employee share-based compensation reserve HK$'000 (Note b)	Capital reserve HK$'000 (Note c)	Retained earnings HK$'000	Proposed final dividends HK$'000	Total
As at 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
Shares issuing expenses	(4,862)	–	–	–	–	–	(4,862)
Script dividends	38,341	–	–	–	2	(38,400)	(57)
Cancellation of treasury shares	(6,490)	6,496	–	–	–	–	6
Loss for the year	–	–	–	–	(44,057)	–	(44,057)
Proposed final dividends	–	–	–	–	–	–	–
As at 31 December 2009 and 1 January 2010	1,597,158	–	31,126	8,877	(40,930)	–	1,596,231
Exercise of share options	15,582	–	(5,812)	–	–	–	9,770
Acquisition of a subsidiary	92,840	–	–	–	–	–	92,840
Issue of shares upon subscription	66,845	–	–	–	–	–	66,845
Share-based payment	–	–	14,246	–	–	–	14,246
Cancellation of share option	–	–	(3,361)	–	3,361	–	–
Lapse of share options	–	–	(4,354)	–	4,354	–	–
Shares issuing expenses	(4,785)	–	–	–	–	–	(4,785)
Loss for the year	–	–	–	–	(1,378,393)	–	(1,378,393)
Proposed final dividends	–	–	–	–	–	–	–
As at 31 December 2010	**1,767,640**	**–**	**31,845**	**8,877**	**(1,411,608)**	**–**	**396,754**

29. 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 2010 was HK$356,032,000 (2009: HK$1,556,228,000).

(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.

30. INTEREST-BEARING BORROWINGS

The Group

	2010 HK$'000	2009 HK$'000
Within one year	**213,649**	205,568
In the second to fifth years	**22,921**	19,556
Over fifth years	**27,589**	30,104
Total bank borrowings	**264,159**	255,228

30. INTEREST-BEARING BORROWINGS (Continued)

Summary of borrowing arrangements

The bank borrowings bear interest at rates ranging from 1.53% to 5.2% (2009: 1.78% to 5.64%) per annum.

The Malaysian Ringgit bank borrowings of approximately HK$92,101,000 (2009: HK$85,267,000) were secured by the Group's land and buildings in Malaysia with carrying values of approximately HK$138,111,000 (2009: HK$108,318,000); freehold land and buildings held for sale in Malaysia with a net book value of approximately HK$nil (2009: HK$11,735,000) and bank deposits of approximately HK$21,745,000 (2009: HK$5,457,000).

The Malaysian Ringgit borrowings from a bank of approximately HK$6,551,000 (2009: Nil) was secured by bank deposits of approximately HK$2,520,000 (2009: Nil).

The Hong Kong Dollars bank borrowings of HK$165,507,000 (2009: HK$169,961,000) were secured by bank deposits of approximately HK$174,231,000 (2009: HK$180,243,000).

31. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 5 years (2009: 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.

Interest rates underlying all obligations under finance leases are fixed at respective contract dates weighted average rate of 3.09% (2009: 4.8%) per annum.

The Group

	Minimum lease payments		Present value of minimum lease payments	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Amounts payable under finance leases:				
Within one year	**316**	554	**254**	476
In the second to fifth years, inclusive	**417**	208	**368**	174
	733	762	**622**	650
Less: Future finance charges	**(111)**	(112)	**—**	—
Present value of finance leases	**622**	650	**622**	650
Less: Amount due for settlement within one year			**(254)**	(476)
Amount due for settlement after one year			**368**	174

32. DEFERRED TAX LIABILITIES

The Group

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

	Fair value adjustment arising from valuation of Investment properties	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
As at 1 January 2009	—	4,897	—	4,897
Credit to income statement (Note 13)	—	(1,805)	(1,500)	(3,305)
Exchange alignment	—	(47)	—	(47)
As at 31 December 2009 and 1 January 2010	—	3,045	(1,500)	1,545
Charge/(credit) to income statement (Note 13)	491	(2,370)	1,500	(379)
Exchange alignment	12	64	—	76
As at 31 December 2010	**503**	**739**	**—**	**1,242**

33. TRADE PAYABLES

The Group

	2010 HK$'000	2009 HK$'000
0–30 days	**86,051**	29,483
31–60 days	**37,501**	43,159
61–90 days	**27,188**	2,928
Over 90 days	**14,670**	4,413
	165,410	79,983

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.

34. ACCRUALS AND OTHER PAYABLES

	The Group		The Company	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Accruals	**30,099**	3,327	**1,387**	2,263
Financial guarantee provision	**—**	—	**24**	437
Other payables	**500**	14,753	**1,623**	1,425
	30,599	18,080	**3,034**	4,125

35. ACQUISITIONS OF SUBSIDIARIES

During the year ended 31 December 2010, the Group had acquired 70% of the entire issued share capital of Strong Aim Limited ("Strong Aim"), for an aggregate consideration of approximately HK$189,500,000 (the "Acquisition").

(a) The carrying amounts and fair value of the assets and liabilities acquired in the acquisition 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	—	264,286	264,286
Amount due from shareholders	1	—	1
Other payables	(15)	—	(15)
Net assets acquired			264,272
Non-controlling interests			(79,282)
Goodwill			4,510
Total consideration			189,500
Satisfied by:			
— Issue of shares			92,950
— Contingent consideration arrangement (Note c)			59,150
— Cash			37,400
			189,500
Net cash outflow arising on acquisition:			
— Cash consideration paid			37,400

(b) Acquisition-related costs of HK$45,000 are included in the income statements.

(c) The contingent consideration arrangement represents 7,000,000 ordinary shares of the Company with par value of HK$0.01 each to be issued to a vendor of Strong Aim by reference to the accumulated audited consolidated net profit after taxation of Strong Aim achieved in proportion to HK$250 million ("Target Profit") during the four years period between 1 January 2010 and 31 December 2013. The ordinary shares are to be issued at the end of each financial year ending 31 December after the audited consolidated net profit after taxation of Strong Aim is determined.

The fair value of the ordinary shares of the Company determined using the published price available at the date of the completion of this acquisition, amounted to HK$59,150,000.

(d) Strong Aim contributed profit of approximately HK$149,931,000 to the Group during the year ended 31 December 2010.

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2010 HK$'000	2009 HK$'000
Financial assets		
Loan and receivables (including cash at bank and on hand)	**2,326,040**	1,791,848
Available-for-sale financial assets	**77,859**	—
Financial liabilities		
Amortised cost	**460,790**	353,941

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.

(b) Financial risk management objective and policies

Credit risk

The carrying amounts of trade receivables included in the consolidated statement of financial position 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.

Liquidity risk

The following tables detail the Group's remaining contractual maturity for its non-derivate financial liabilities as at 31 December 2010 and 31 December 2009. 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 2010							
Trade payables	**—**	**165,410**	**—**	**—**	**—**	**165,410**	**165,410**
Accruals and other payables	**—**	**30,599**	**—**	**—**	**—**	**30,599**	**30,599**
Interest-bearing borrowings	**2.67%**	**218,452**	**5,842**	**20,329**	**33,407**	**278,030**	**264,159**
		414,461	**5,842**	**20,329**	**33,407**	**474,039**	**460,168**
As at 31 December 2009							
Trade payables	—	79,983	—	—	—	79,983	79,983
Accruals and other payables	—	18,080	—	—	—	18,080	18,080
Interest-bearing borrowings	2.54%	212,081	6,916	20,747	31,120	270,864	255,228
		310,144	6,916	20,747	31,120	368,927	353,291

36. FINANCIAL INSTRUMENTS (Continued)

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

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 reporting 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.

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.

	2010 HK$'000	2009 HK$'000
Change of exchange difference		
Change of foreign currencies exchange rate by 5%:		
British Pounds	**6,530**	9,026
Malaysian Ringgit	**2,101**	4,922
US Dollars	**3,383**	1,183
Renminbi	**43**	43

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.

	2010 HK$'000	2009 HK$'000
Change of finance costs		
Change of interest rate by 0.5%	**1,324**	1,279

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

36. FINANCIAL INSTRUMENTS (Continued)

(c) 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 purpose 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.

The Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the statement of financial position 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

As at 31 December 2010, the Group did not have any financial instruments carried at fair value.

(d) 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 Group's overall strategy remains unchanged from 2009.

The capital structure of the Group consists of net debts (borrowings as details in note 30 offset by cash at bank and on hand) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as detailed in note 28).

36. FINANCIAL INSTRUMENTS (Continued)

(d) Capital risk management (Continued)

The gearing ratio at end of the reporting date was as follows.

	2010 HK$'000	2009 HK$'000
Debt (i)	**264,159**	357,317
Less: Cash at bank and on hand (note 26)	**(242,300)**	(312,146)
Net debt	**21,859**	45,171
Equity (ii)	**4,054,626**	3,701,737
Net debt to equity ratio	**0.54%**	1.22%

(i) Debt is defined as long- and short-term borrowing as described in note 30.

(ii) Equity includes all capital and reserves of the Group that are managed as capital.

37. MAJOR NON-CASH TRANSACTIONS

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

— The Group acquired 70% of entire issued share capital of Strong Aim, for an aggregate consideration of HK$189,500,000 as described in note 35.

— 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.

— The Group granted share options to its directors and employees as part of the staff remuneration. Share-based payment expenses of approximately HK$14,246,000 were recognised during the year ended 31 December 2010 (2009: Nil).

— The Group acquired motor vehicles HK$1,028,160 at cost under finance leases (2009: Nil).

38. FINANCING FACILITIES

The Group

	2010 HK$'000	2009 HK$'000
Secured bank borrowings facilities:		
Amount utilised	**284,266**	255,228
Amount unutilised	**82,898**	61,259
	367,164	316,487

— The Group utilised Documentary Credit facilities amounting of approximately HK$20,107,000 (2009: Nil), secured with bank deposits amounting of approximately HK$23,411,000.

39. CONTINGENT LIABILITIES

The Group

As at 31 December 2010, the Group had no contingent liabilities (2009: Nil).

The Company

The Company had acted as a guarantor of its subsidiaries to secure interest-bearing borrowings, which amounting to approximately HK$264,159,000 (2009: HK$85,267,000) as at 31 December 2010.

The carrying amount of the financial guarantee contract recognised in the statement of financial position was approximately HK$24,000 (2009: HK$437,000) as at 31 December 2010. The financial guarantee contract was eliminated on consolidation.

40. OPERATING LEASE ARRANGEMENTS

The Group as lessee

Operating lease relate to leases of land and buildings with lease terms of between 1 and 4 years. The Group does not have an option to purchase the leased of land and buildings at the expiry of the lease periods.

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

	2010 HK$'000	2009 HK$'000
Within one year	3,140	7,821
Within two to five years	1,180	55
	4,320	7,876

The Group as lessor

Operating leases related to the investment property owned by the Group with lease terms of between 1 to 4 years. The lessee does not have an option to purchase the property at the expiry of the lease period.

Rental income earned by the Group from its investment properties and direct operating expenses arising on the investment properties for the year are set out in note 9 and 10.

As at the reporting date, the total future minimum lease receivables on investment properties under non-cancelable operating lease are receivable as follows:

	2010 HK$'000	2009 HK$'000
Within one year	2,269	—
Within two to five years	4,324	—
	6,593	—

41. COMMITMENTS FOR EXPENDITURE

The Group had entered into product development contracts which give rise to a capital commitment of approximately HK$66,360,000 (2009: HK$27,800,000) as at 31 December 2010.

42. EMPLOYEE SHARE-BASED COMPENSATION RESERVE

	2010 HK$'000	2009 HK$'000
As at the beginning of the year	**31,126**	36,861
Employee share option benefits	**14,246**	—
Exercise/cancellation/lapse of share options	**(13,527)**	(5,735)
As at the end of the year	**31,845**	31,126

(a) A share option scheme (the "Share Option Scheme") was adopted by the Company on 28 June 2004 and was amended on 7 June 2006. The Share Option Scheme was terminated upon listing of the shares on The Stock Exchange of Hong Kong Limited on 10 February 2009 because certain terms were not in compliance with Listing Rules.

During the year ended 31 December 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.

42. EMPLOYEE SHARE-BASED COMPENSATION RESERVE (Continued)

A post listing share option scheme (the "Post Listing Scheme") was adopted by the Company on 16 October 2008. The terms of the Post Listing Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

During the year ended 31 December 2010, the Company granted 7,760,000 share options to 63 staff (including 3 executive directors and 4 non-executive directors) pursuant to the Post Listing Scheme at an exercise price of HK$8.21 per Share. Amongst these, 2,760,000 share options were granted subject to the condition that the relevant staff agreeing to surrender the outstanding options exercisable into the same number of shares which were granted to him or her under the Share Options Scheme, for cancellation. There is no vesting period for the 2,760,000 share options with exercise period ending on 28 March 2017. The remaining 5,000,000 share options with exercise period ending on 28 April 2020 are subject to a one year vesting period.

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:

	Post Listing Scheme				Share Option Scheme			
	2010		2009		2010		2009	
	Weighted average exercise price per share	Number of options	Weighted average exercise price per share	Number of options	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	–	–	–	–	86.20p	9,460,000	84.22p	11,170,000
Granted	HK$8.21	5,000,000	–	–	–	–	–	–
Exercised	HK$8.21	(960,000)	–	–	34.50p	(450,000)	66.59p	(1,265,000)
Replaced	HK$8.21	2,760,000	–	–	136.00p	(2,760,000)	–	–
Lapsed	HK$8.21	(585,000)	–	–	75.15p	(1,415,000)	92.35p	(445,000)
Cancelled	–	–	–	–	136p	(700,000)	–	–
Outstanding as at the end of the year	HK$8.21	6,215,000	–	–	53.94p	4,135,000	86.20p	9,460,000

As at 31 December 2010, 6,215,000 (2009: Nil) share options were outstanding with a weighted average exercise price of 8.21 pence (2009: Nil) under the Post Listing Scheme and 4,135,000 (2009: 9,460,000) share options were outstanding with a weighted average exercise price of 53.94 pence (2009: 86.20 pence) under Share Option Scheme.

42. EMPLOYEE SHARE-BASED COMPENSATION RESERVE (Continued)

(c) As at 31 December 2010 and 31 December 2009, outstanding share options have the following remaining contractual lives and exercise prices:

Exercise price	2010 Remaining contractual life	2010 Number of options	2009 Remaining contractual life	2009 Number of options
Share Option Scheme				
34.50p	**4.30 years**	**1,435,000**	5.30 years	1,885,000
64.25p	**5.75 years**	**2,700,000**	6.75 years	3,900,000
136.00p	**— years**	**—**	7.25 years	3,675,000
	5.25 years	**4,135,000**	6.66 years	9,460,000
Post Listing Scheme				
HK$8.21	**9.30 years**	**6,215,000**	—	—
	9.30 years	**6,215,000**	6.66 years	9,460,000

(d) 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	29 April 2010
Option value Variables:	HK$0.44	HK$2.67	HK$2.17	HK$4.80	HK$4.64
— Exercise price	GBP 0.1	GBP 0.345	GBP 0.6425	GBP 1.36	HK$8.21
— Closing price at date of grant	GBP 0.1	GBP 0.345	GBP 0.6425	GBP 1.35	HK$8.20
— Risk free rate	4%	4%	5%	5%	2.57%
— Expected volatility (note (i))	75.49%	75.49%	58.13%	60.49%	66%
— Expiration of the option	27 June 2009	19 April 2015	3 October 2016	28 March 2017	28 April 2020
— Option life (expected weighted average life)	1 year	3 years	1.75 years	1.59 years	10 years
— Expected ordinary dividends	Nil	Nil	10%	10%	0.92

(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.

43. RELATED PARTY TRANSACTIONS

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

(a) The remuneration of directors and other members of key personnel during the year was as follows:

	2010 HK$'000	2009 HK$'000
Salaries and bonus	**18,299**	72,617
Retirement scheme contribution	**129**	191
Employee share option benefits	**7,389**	—
	25,817	72,808

(b) As at 31 December 2010 and 31 December 2009, the Company had acted as a guarantor of its subsidiaries to secure interest-bearing borrowings.

44. EVENTS AFTER THE REPORTING PERIOD

(i) Pursuant to the subscription agreements dated 4 January 2011, the Company allotted and issued an aggregate of 6,450,000 shares of HK$0.01 each to independent subscribers at a price of HK$3.10 (25.77 pence) per share on 7 January 2011. The net proceeds of approximately HK$19,995,000 were used to fund the Company's research and development activities.

(ii) On 14 January 2011, the Company acquired 13,000,000 shares in Spartan Gold Limited ("SPAG"), representing approximately 6.10% of the total issued shares in SPAG, for a total consideration of US$6.50 million (HK$50.70 million), which was satisfied by the allotment and issue of 15,600,000 ordinary shares of the Company.

(iii) Pursuant to the subscription agreements dated 18 February 2011, the Company allotted and issued an aggregate of 19,000,000 shares of HK$0.01 each to independent subscribers at a price of HK$2.50 (19.84 pence) per share on 24 February 2011. The net proceeds of approximately HK$45,125,000 were used to fund the Company's research and development activities and new projects in the Solutions, Projects and Services business segment.

(iv) On 4 March 2011, RCG Holdings Limited (the "Company"), through its legal advisers, accepted service of originating summons initiated by Veron International Limited ("Veron") against it in the Court of First Instance of the High Court of Hong Kong Special Administrative Region under miscellaneous proceedings (the "Originating Summons"). In the Originating Summons, Veron is seeking the disclosure of certain documents by the Company to it in its capacity as a shareholder of the Company. The Company is seeking legal advice on this matter.

45. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of RCG Holdings Limited and its subsidiaries were approved and authorised for issue by the board of directors on 25 March 2011.

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 2010)

Shareholding (Shares)	Number of Shareholders
0–1,000	119
1,001–5,000	322
5,001–10,000	186
10,001–50,000	200
50,001–100,000	53
100,001–200,000	30
200,001–500,000	27
500,001 and above	24

SHARE PRICE

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

AIM

	High (pence)	Low (pence)	Month End (pence)	Average Closing (pence)
2010				
April	75.00	64.00	70.04	70.25
May	72.00	51.00	54.75	63.37
June	54.00	38.00	41.00	49.14
July	56.00	40.00	44.00	47.24
August	51.00	39.50	41.00	45.01
September	45.00	34.00	36.25	40.26
October	41.00	30.00	34.50	36.18
November	34.50	25.00	25.00	29.83
December	35.00	20.00	22.50	26.65
2011				
January	28.00	18.75	18.75	22.90
February	26.41	14.75	19.00	18.89
March	22.91	15.00	16.50	17.71
April (up to and including the Latest Practicable Date)	19.00	15.50	19.00	17.76

SHARE PRICE (Continued)

HKSE

	High (HK$)	Low (HK$)	Month End (HK$)	Average Closing (HK$)
2010				
April	8.99	7.76	8.48	8.45
May	8.61	5.72	5.99	7.40
June	6.06	4.50	4.70	5.58
July	6.40	4.77	5.45	5.62
August	5.97	4.90	4.95	5.37
September	5.21	4.59	4.65	4.91
October	4.88	4.30	4.36	4.56
November	4.47	3.61	3.67	4.05
December	4.79	3.08	3.33	3.74
2011				
January	3.64	2.35	2.41	3.12
February	3.39	2.02	2.85	2.57
March	2.92	2.05	2.23	2.35
April (up to and including the Latest Practicable Date)	2.40	2.16	2.28	2.25

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The Register of Members of the Company will be closed from Wednesday, 8 June 2011 to Friday, 10 June 2011, both days inclusive, during which period no transfer of ordinary shares will be effected.

The 2011 AGM will be held at Lot 1, Jalan Teknologi 3/5, Taman Sains Selangor 1, Kota Damansara, Petaling Jaya, Selangor, Malaysia on 10 June 2011 at 3:00 pm (HK time). The notice of 2011 AGM together with a circular in respect of the Annual General Meeting and proxy forms have been dispatched to shareholders on 28 April 2011. Copies of the same are also available on the Company's website (www.rcg.tv) under the investor relations section and investor relations webpage (www.rcg.todayir.com).

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 in 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:

Unit 509–10, Core E, Cyberport 3, 100 Cyberport Road, Hong Kong
ir@rcg.tv

WHERE MORE INFORMATION ABOUT RCG IS AVAILABLE

This Annual Report 2010, and other information on RCG, may be reviewed on RCG's website: www.rcg.tv and RCG's investor relations webpage: www.rcg.todayir.com

Corporate Information

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS OUTSIDE HONG KONG AND HEADQUARTERS

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 509–10, Core E
Cyberport 3
100 Cyberport Road
Hong Kong

WEBSITE

www.rcg.tv

WEBPAGE

www.rcg.todayir.com

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 ADVISER (FOR HKSE)

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

NOMINATED ADVISER (FOR AIM)

Evolution Securities Limited
100 Wood Street
London EC2V 7AN
United Kingdom

STOCKBROKERS (FOR AIM)

Evolution Securities Limited
100 Wood Street
London EC2V 7AN
United Kingdom

Evolution Securities China Limited
100 Wood Street
London EC2V 7AN
United Kingdom

UK LEGAL ADVISERS

Travers Smith LLP
10 Snow Hill
London EC1A 2AL
United Kingdom

HONG KONG LEGAL ADVISERS

Reed Smith Richards Butler
20/F Alexandra House
18 Chater Road
Central
Hong Kong

BERMUDA LEGAL ADVISERS

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

REGISTERED AUDITORS

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

REGISTERED VALUERS

Vigers Appraisal and 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

"AGM"	the annual general meeting of the Company to be held on 10 June 2011 (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;
"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;
"IoT City Project"	the project in development properties and facilities in Xiangyang city which will focus on implementation of Internet of Things, RFID, biometrics, security and green technologies;
"Latest Practicable Date"	13 April 2011;
"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;
"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;
"PRC"	the People's Republic of China;
"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 7 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;

Definitions

"RCG Network"	RCG Network Sdn Bhd a company incorporated on 13 November 2009 in Malaysia with limited liability whose principal activity is the sales and distribution of IT products including personal computers and notebooks and was an indirectly 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;
"Spartan Gold Limited"	a company incorporated in Nevada, US;
"Star Asia Group"	Star Asia Group Singapore;
"Strong Aim"	Strong Aim Limited, a company incorporated in the British Virgin Islands on 16 October 2008 and an indirect wholly-owned subsidiary of the Company;
"UAE"	United Arab Emirates;
"UCH"	UCH Technology Sdn Bhd, a company incorporated on 7 May 1991 in Malaysia with limited liability and was an indirectly wholly-owned subsidiary of the Company;
"United States dollars" or "US$"	United States dollars, the lawful currency of the United States;
"Xiangyang"	a city located in Hubei Province, PRC which previously known as Xiangfan and renamed on 6 December 2010; and
"Xiangyang Development Committee"	Xiangyang High Technology Development Zone Committee of the Xiangyang Government, Hubei Province, PRC.

Glossary of Technical Terms

"application"	a functional system made up of software or hardware, or a combination of both, that performs a specific task;
"biometrics"	the identification of a unique, measurable characteristic of a human being. This may be a physical or behavioural characteristic. Common types of biometric technologies include fingerprint recognition, iris scan, facial recognition, vein recognition, hand geometry recognition and voice recognition;
"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;
"facial recognition"	identification of individuals through the analysis of facial features;
"fingerprint authentication"	verification of individuals through the analysis of fingerprint;
"FL-1000"	a industrial controller for access control, a product of the Group;
"FxGuard Windows Logon"	biometric facial recognition software designed for computer access security, a product of the Group;
"g-series"	a product family of biometric drawer-lock using fingerprint recognition and high speed processor, products of the Group;
"GTM 1000"	a RFID-handheld reader of guard tour monitoring solution, 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;
"i4F"	fingerprint access control with high compatibility with XL 1000, a product of the Group;
"i4X"	fingerprint access control with high compatibility with FL-1000, a product of the Group;
"Internet of Things" or "IoT"	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;

Glossary of Technical Terms

"Mifare"	a series of chips widely used in contactless smart cards and proximity cards;
"M2M" or "Machine-to-Machine"	data communications between machines;
"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;
"RIC 2000"	RFID-enabled Mifare card readers compatible with e-wallet system, a product of the Group;
"RIC 3000"	RFID-enabled Mifare card readers compatible with e-wallet system, a product of the Group;
"RTP-1000"	a RFID Laundry multiple tags reader with power isolation features, a product of the Group;
"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;
"VLH 1000"	a vehicle interlocking system, a product of the Group;
"XL-1000"	a controller to manage door access, time attendance and security alarm, a product of the Group; and
"XS-1000"	an industrial controller for access control, a product of the Group.