2012
ANNUAL REPORT

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

* 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 and Middle East regions 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, RFID Campus Management System, RFID Student Transport Monitoring System, intelligent surveillance systems using facial recognition technology, GPS Fleet Management System and Smart Reception System.

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 have been listed on the Main Board of the Hong Kong Stock Exchange since February 2009 and on the AIM Market of the London Stock Exchange since July 2004. RCG's Shares have also been capable of being traded on the ISDX Secondary Market (formerly PLUS Stock Exchange/PLUS-SX), a London based stock exchange since June 2007.

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, Macau and Dubai, with authorised distributors present in major countries globally.

Contents

Five Year Financial Summary

	For the year ended 31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Turnover	**1,022,625**	1,385,288	3,025,919	2,450,162	2,002,353
(Loss)/profit for the year	**(1,846,088)**	(1,550,774)	(6,974)	644,919	611,102
Attributable to:					
Owners of the Company	**(1,874,373)**	(1,354,937)	72,859	636,048	622,268
Non-controlling interests	**28,285**	(195,837)	(79,833)	8,871	(11,166)
	(1,846,088)	(1,550,774)	(6,974)	644,919	611,102
Basic (loss)/earnings per share (note)	**HK$(3.15)**	HK$(3.24)	HK$0.26	HK$2.52	HK$2.69
Dividends per share	**—**	—	—	—	HK$0.165 or £0.015

	As at 31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**1,330,590**	3,035,889	4,699,812	4,240,670	3,176,880
Total liabilities	**(172,182)**	(162,164)	(463,189)	(357,317)	(295,779)
	1,158,408	2,873,725	4,236,623	3,883,353	2,881,101
Equity attributable to owners of the Company	**1,119,764**	2,902,644	4,054,626	3,701,737	2,681,331
Non-controlling interests	**38,644**	(28,919)	181,997	181,616	199,770
	1,158,408	2,873,725	4,236,623	3,883,353	2,881,101

Note: The calculation of basic (loss)/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 2012 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

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

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Group's annual results for the year ended 31 December 2012, which consists of reporting on the activities, results and strategies of RCG.

BUSINESS ENVIRONMENT

2012 was equally challenging for both the global economy and for the business segments in which the Company operates. The situations in the Middle East and Europe are expected to persist, with continued political transition, pressing social demands, and an adverse external environment, which have resulted in the increase of near term risks causing macroeconomic instability. These risks were further fueled during 2012, with global growth faltering, unemployment rising, and continued fiscal and external pressures. The momentum of growth has also slowed in various emerging market economies, especially China, which has also been hit by increases in investor risk aversion and perceived growth uncertainty despite the recent change in government. This sentiment has led not only to equity price declines, but also to capital outflows and currency depreciation.

Despite the challenging environment, the Group has continued to focus its business cautiously in the Asia Pacific and the Middle East regions, and has faced the challenge of coping with trade declines and high volatility of capital flows. Furthermore, the Group continued to seek out and act upon new business opportunities in complementing its existing business and to move forward in what are trying times.

FINANCIAL AND BUSINESS REVIEW

For the 2012 financial year, RCG recorded a downturn in its business. The decrease in turnover was attributed to the continuous reduction in Consumer sales and market pressure across its business segments. The Group has reported total revenues of HK$1,022.6 million — representing a decrease of 26.2% when compared to the same period in 2011.

Chairman’s Statement

RCG is focused on creating long term sustainable value and continued to make progress with its strategy of expanding the business through strategic acquisitions. During the year ending 31 December 2012, the Group acquired a 55% interest in Most Ideas Limited, which in turn holds MGIE group, the information technology business which is indirectly related to the Group’s core business. In addition, the Group has began to participate in commodities trading and it is expected that this will bear positive results in the short term.

Following the resignations of Mr. Li and Mr. Liu, the Board appointed Mr. Kwan King Wah and Mr. Zeng Min as independent non-executive directors of RCG on 27 August 2012. We are very pleased to welcome Mr. Kwan and Mr. Zeng to the Board.

THANK YOU

I would like to take this opportunity to express my sincere gratitude to our shareholders, business partners and customers for their continued support of RCG as well as to the Group’s management team and staff for their tireless dedication and efforts in developing the long term prospects of the Group.

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

27 March 2013

BUSINESS REVIEW

The financial year of 2012 saw a continuation of the consolidation strategy to focus on the solutions, projects and services business segment and a continued reduction in reliance on the less profitable distributorship model. These have resulted in, revenue for the year ended 2012 decreasing by 26.2%, compared to the same period in 2011.

Group revenue was HK$1,022.6 million for the year ended 31 December 2012 compared to HK$1,385.3 million for the same period in 2011, largely as a result of the continued reduction in distributor sales, by approximately 26.2%. Gross margin for the year ended 31 December 2012 was –62.8% compared to 18.3% for the year ended 31 December 2011 due partially to continued margin pressure in both the consumer and enterprise business segment with lower selling prices arising from increased competition, coupled to rising costs of sales, but predominantly due to the clearance disposal of non-current stock during the period. There has been substantial impairment to the carrying value of trade receivables. In addition to the impairment on certain assets of the Company provided for throughout the current financial period, this has combined with lower revenue and margins, to result in a net loss of HK$1,846.1 million in 2012 compared to net loss of HK$1,550.8 million in 2011.

During both 2011 and 2012, the Group has made a number of acquisitions that are expected to generate growing revenues. These include, amongst others, MG Interactive Limited ("MGI") and MG Interactive Entertainment Limited ("MGIE").

On the corporate front, following the Company's announcement on 7 March 2011 (with further updates given on 19 April 2011 and 30 June 2011) and the Judgement for the Originating Summons in favor of the Company on 9 May 2012, that the Originating Summons was issued by Veron International Limited ("Veron"), a shareholder which has disclosed holdings of approximately 10.98% of the total issued share capital of the Company as at 31 December 2012, against the Company in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region, had filed an appeal for the case and was subsequently heard by the Court of Appeal on 1 March 2013.

At the moment, the Company is still waiting for the Judgement from the Court of Appeal, and would not be able to ascertain the potential financial liabilities that may arise from the case. The originating Summons and the appeal of the Court decision; coupled with the actions taken by Veron have inevitably caused further disruptions and distractions to the Company's business operations and management time.

Performance of business segments

The Group is a leading international developer and solutions provider in the biometric, RFID and security industries and delivers high-performing, convenient security systems for enterprises and consumers. The Group's business is divided generally into four categories: "**Trading of Security of Biometric Products**", "**Solutions, Projects and Services**", "**Internet of Mobile's Application of Related Accessories**" and "**Commodities Trading**".

The Group's **Trading of Security of Biometric Products** segment consists of biometrics and RFID products for consumer applications. Examples include the **m-series** fingerprint doorlocks and **FX-Secure-Key**. Also, it carries biometric and RFID products and components for commercial use, such as **i-series** and **s-series** fingerprint authentication devices, together with **EL-1000** and **XL-1000** controllers forming access control, **r-series** RFID readers and controllers and **K-series** multi-modal security devices combining facial recognition, fingerprint authentication, password and RFID. The Group predominantly sells to distributors, system integrators and security system providers.

Management Discussion and Analysis

The Group develops system solutions for enterprise users using the Group's internally developed software and self-developed or third party products as required; supplying them to enterprises to solve business needs in security, asset management or efficiency improvements. These **Solutions**, **Projects and Services** applications focus on high growth industries such as banking, logistics and transportation, entertainment, healthcare, anti-counterfeit and on government departments.

Throughout 2011 and 2012, the Group had identified the "Internet of Mobile Application of Related Accessories" segment as a key growth area, in-line with the rapid growth of the mobile and gaming industry and in particular in Online gaming, Utilities Applications for IOS and Androids, Translations business and Mass Advertising.

	Year ended 31 December				y-o-y
Operating Segment	**2012**		2011		**growth**
	HK$ m	**%**	HK$ m	%	%
Trading & Security & Biometric Products	**995.2**	**97.3**	1,184.5	85.5	(16.0)
Solution, Projects and Services	**0.6**	**0.1**	196.6	14.2	(99.7)
Internet & Mobile Application & Related Accessories	**22.7**	**2.2**	4.2	0.3	440.5
Commodities Trading	**4.1**	**0.4**	—	—	N/A
Total Revenue	**1,022.6**	**100.0**	1,385.3	100.0	(26.2)

The key contributor to the Group's turnover for the year ended 31 December 2012 is the Trading of Security & Biometric Products segment which contributed 97.3% of total turnover. The segment revenue had decreased by approximately 16.0% from HK$1,184.5 million in 2011 to HK$995.2 million in 2012, as the Group sought to reduce its stocks of biometric modules and components in a saturated market, coupled with the gradual reduction in distribution sales.

The Solutions, Projects and Services segment experienced a 99.7% revenue decrease from HK$196.6 million in 2011 to HK$0.6 million in 2012. The decrease was attributable to the change in the key strategies to focus on long term projects, which have longer completion periods.

Internet & Mobile Application & Related Accessories segment recorded revenues of HK$22.7 million in 2012 (2011: HK$4.2 million).

The Group also anticipates that Commodities Trading will also be another important area for the Group going forward, with Commodities Trading contributing HK$4.1 million in 2012.

Geographical performance

The majority of the Group's revenues are generated from Southeast Asia.

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

	Year ended 31 December				y-o-y
Geographical Segment	**2012**		2011		**growth**
	HK$ m	**%**	HK$ m	%	%
Southeast Asia	**1,019.3**	**99.7**	1,172.8	84.7	(13.1)
Middle East	**3.3**	**0.3**	207.7	15.0	(98.4)
Other Regions	**—**	**—**	4.8	0.3	(100.0)
Total Revenue	**1,022.6**	**100.0**	1,385.3	100.0	(26.2)

In 2012, all regions reported lower revenues than were achieved in 2011, with each region showing similar patterns of reduction in the Trading of Security & Biometric Products segment and the Solutions, Projects and Services segment for the reason described above.

The revenue from Southeast Asia region decreased by 13.1% in 2012 mainly as a result of lower demand for IC components. The majority of the revenue in the Southeast Asia region was derived from the Trading of security & Biometric products and internet & mobile's application & related accessories segments which accounted for 99.7% of total revenue.

The Trading of Security & Biometric Products contributed 98.7% of revenue in Southeast Asia. The segment also accounted for 65.8% of revenue in Middle East.

Acquisitions

On 23 April 2012, the Group entered into a conditional Sale and Purchase Agreement with Crossover Global Limited, to acquire 55% of the issued share capital of Most Ideas Limited ("Most Ideas") for a total consideration of HK$88.7 million. Most Ideas is an investment Holding Company that has two wholly-owned subsidiaries namely MGI and MGIE. MGI specializes in Web 2.0 projects and mobile marketing solutions. MGIE focuses on developing entertainment application for various mobile phone platforms such as IOS, etc. The acquisition was completed on 25 June 2012.

Disposals

On 19 March 2012, the Group disposed of its 70% shareholding in Strong Aims Ltd, its indirect subsidiary whose principal activities were providing RFID Solutions, tags and related products.

The disposal was undertaken in order to rationalise the Group's corporate structure and to focus its resources on other business segments and on new opportunities which are seen to present better prospects for the Group.

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2012, the Group reported total revenue of HK$1,022.6 million representing a decrease of 26.2% compared to HK$1,385.3 million in 2011. The decrease was mainly due to the reduction in Trading of security & Biometric products sales.

Cost of sales

Cost of sales increased 47.1% from HK$1,131.7 million in 2011 to HK$1,664.6 million in 2012. In terms of percentage of sales, the cost of sales increased from 81.7% in 2011 to 162.8% in 2012, resulting from a more competitive pricing and higher raw material costs, together with the clearance of non-current stock.

Gross profit and gross profit margin

Gross loss in 2012 was HK$642.0 million, an increase in gross losses of 353.2% compared to gross profit HK$253.6 million in 2011. The Group adjusted it pricing strategy in order to remain competitive, incurred higher raw material costs and effected a clearance disposal of non-current stock during the period under review, leading to a gross loss of 62.8% as compared to gross profit of 18.3% in 2011.

Other revenue and gains

Other revenue and gains reduced from HK$37.6 million in 2011 to HK$8.6 million in 2012 mainly attributable to rental income and change in fair value of investment properties.

Administrative expenses

Administrative expenses decreased 53.1% from HK$351.8 million in 2011 to HK$165.1 million in 2012 mainly attributable to lower related administrative expenses.

Selling and distribution costs

Selling and distribution costs increased by 58.1% from HK$108.3 million in 2011 to HK$171.2 million in 2012 due to higher marketing cost incurred to create better market awareness of the Company's brand and products.

Finance costs

Finance costs decreased from HK$6.1 million in 2011 to HK$4.8 million in 2012 due to the decreased utilisation of external interest-bearing financing facilities for working capital purposes.

Loss before taxation

Loss before taxation for 2012 was HK$1,845.8 million, as compared to a loss before taxation of HK$1,549.7 million in 2011.

Income tax expense

Income tax expense decreased from HK$1.1 million in 2011 to HK$0.2 million in 2012.

Loss for the year

The Group incurred a net loss of HK$1,846.1 million for the year ended 31 December 2012, compared to a net loss of HK$1,550.8 million in 2011.

Loss attributable to the owners of the Company.

Loss attributable to the owners of the Company increased from HK$1,354.9 million in 2011 to HK$1,874.4 million in 2012.

Loss attributable to the non-controlling interests

Profit attributable to the minority interests of HK$28.3 million is related to the minority interests' share of the waiver of intercompany account in 2012 of HK$28.3 million referred to above (2011: loss HK$195.8 million).

REVIEW OF THE GROUP'S FINANCIAL POSITION AS AT 31 DECEMBER 2012

Liquidity and capital resources

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

The Group incurred capital expenditure of HK$2.0 million during 2012 compared to HK$68.2 million in 2011. The capital expenditure was mainly used for the acquisition of property, plant and equipment and investment in research and development.

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

	Year ended 31 December	
	2012	2011
	HK$'000	HK$'000
Purchase of property, plant and equipment	**2,006**	1,878
Investment in research and development	**—**	66,360
Total	**2,006**	68,238

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.

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

	Year ended 31 December	
	2012	2011
	HK$'000	HK$'000
Total bank borrowings, secured, repayable within one year	**4,685**	32,611
Total bank borrowings, secured, repayable more than one year	**42,335**	44,623
Total	**47,020**	77,234

The Group had cash and cash equivalents of HK$28.2 million as of 31 December 2012 compared to HK$52.7 million as of 31 December 2011.

Working Capital

Debtors and inventories have decreased by 47.0% and 41.4% in 2012 due principally to the reduction in sales and the disposal of surplus inventory. However, the Board believes that inventory balances have stabilised at a lower level and that the trade receivables (net of write offs) are recoverable.

Gearing ratio

As at 31 December 2012, the Group's gearing ratio was approximately 0.040x as compared to 0.026x as at 31 December 2011. The gearing ratio was calculated as the Group's total debt divided by its total capital. Debt of HK$47.2 million is calculated as total borrowings (including short-term bank loans amounting HK$4.7 million, the current portion of financing obligations amounting HK$0.1 million, long term bank loans amounting HK$42.3 million and long term financing obligations of HK$0.1 million). Total capital is calculated as total shareholder equity of HK$1,166.9 million plus debt.

Contingent Liabilities

As at 31 December 2012, the Group had no outstanding contingent liabilities. There were also no contingent liabilities as 31 December 2011. The Company acted as a guarantor of its subsidiaries to secure interest-bearing borrowings, which amounted to approximately HK$0.2 million (2011: HK$74.5 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 2012, compared to HK$652,000 as at 31 December 2011. The financial guarantee contract was eliminated on consolidation.

Foreign exchange risk management

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

HUMAN RESOURCES

As at 31 December 2012, in addition to the Directors, there were around 48 employees (2011: 76) of the Group stationed in the Group's offices in Kuala Lumpur, Hong Kong, Beijing, Macau, Bangkok and Dubai. Total staff costs for the year ended 2012 were HK$11.2 million, compared with HK$47.4 million in 2011. The saving was attributable to the Group's continuous efforts to reduce its overheads and to re-allocate project resources by increasing collaboration with third party partners, reducing the dependency on internal manpower.

During the period, the Group offered training and development courses for its employees to enhance staff working capabilities. Remuneration packages are linked with individual's performance and the Group's business performance, and take into consideration industry practices and competitive market conditions, reviewed on an 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. Share options are also granted to eligible employees based on individual's performance as well as the Group's performance.

MANAGEMENT OUTLOOK

The Group remains highly conscious of trading conditions and working capital requirements. It will continue to exercise strict cost control and to adjust its trading policies with its distributors. It will continue to undergo rationalisation program for the Group; apart from closely monitoring the competition in the market and adopt a more cautious approach in its sales and pricing policy in order to remain competitive.

The Group will continue to focus on its core business whilst, looking for opportunities to complement its existing businesses through possible merger and acquisitions of potential business opportunities.

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 2012, except for the issue of convertible notes described in the following paragraph headed "Convertible Notes" under the section of the Directors' Report on page 16.

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 2012.

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 23 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 the Management Discussion and Analysis on pages 6 to 11.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2012 are set out in the Consolidated Income Statement on page 35.

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 2012.

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 40 and note 29 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2012, the Company's reserves available for distribution amounted to approximately HK$731,130,000 (2011: approximately HK$641,347,000).

SHARE CAPITAL

Details of movements in the share capital during the year ended 31 December 2012 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 ended 31 December 2012 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 customers accounted for approximately 67% of the Group's total sales for the year and sales to the Group's largest customer amounted to approximately 24%. Purchases from the Group's five largest suppliers accounted for approximately 88% to the Group's total purchases for the year and purchases from the Group's largest supplier amounted to approximately 31%.

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

Each of executive Directors has entered into a service agreement 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.

Each of non-executive Director and independent 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.

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 47 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 2012.

DISCLOSURE OF INFORMATION ON DIRECTORS

Pursuant to rule 13.51B(1) of the Hong Kong Listing Rules, the changes of information on Directors are as follows:

The remuneration of Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman, a non-executive Director, has been revised to HK$240,000 per annum with effect from 27 September 2012.

The remuneration of Mr. Pieter Lambert Diaz Wattimena, an executive Director, has been revised to HK$200,000 per annum with effect from 27 September 2012.

The remuneration of Mr. Wang Zhongling, an executive Director, has been revised to HK$240,000 per annum with effect from 7 December 2012.

Meanwhile, the length of service of the Directors has been revised as follows:

a) Mr. Li Jinglong has renewed the service agreement with the Company for a term of one year commencing from 27 September 2012 to 26 September 2013;

b) Mr. Zhang Ligong has renewed the service agreement with the Company for a term of one year commencing from 27 September 2012 to 26 September 2013;

c) Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman has renewed the appointment letter with the Company for a term of one year commencing from 1 June 2012 to 31 May 2013; and

d) Mr. Pieter Lambert Diaz Wattimena has renewed the appointment letter with the Company for a term of one year commencing from 25 March 2013 to 24 March 2014.

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

As at 31 December 2012, 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 Director	Capacity/ Nature of interest	Number of shares	Number of underlying shares	Number of shares and underlying shares	Approximate percentage of issued share capital
Kwan King Wah (Note)	Beneficial owner	100,000	—	100,000	0.01%

Note:

The number of shares of the Company held by Mr. Kwan King Wah up to 17 January 2013 as Mr. Kwan King Wah disposed the shares of the Company he held on 17 January 2013.

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 2012 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.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules.

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 2012, 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	Total number of shares and underlying shares	Approximate percentage of issued share capital (Note 4)
Crossover Global Limited (Note 1)	Beneficial owner	104,352,941	—	104,352,941	17.46%
Chan Chun Fai (Note 1)	Interest of controlled corporation	104,352,941	—	104,352,941	17.46%
Qin Chuhua (Note 1)	Interest of controlled corporation	104,352,941	—	104,352,941	17.46%
Yang Zhijian (Note 1)	Interest of controlled corporation	104,352,941	—	104,352,941	17.46%
Veron International Limited (Note 2)	Beneficial owner	65,662,832	—	65,662,832	10.98%
Kung Nina (Estate of Nina Kung also known as Nina T.H. Wang) (Note 2)	Interest of controlled corporation	65,662,832	—	65,662,832	10.98%
Lam Hok Chung Rainier (Note 2)	Trustee	65,662,832	—	65,662,832	10.98%
Jong Yat Kit (Note 2)	Trustee	65,662,832	—	65,662,832	10.98%
Yu Sai Hung (Note 2)	Trustee	65,662,832	—	65,662,832	10.98%
The Offshore Group Holdings Limited (Note 3)	Beneficial owner	53,515,556	—	53,515,556	8.95%
Chan Chun Chuen (Note 3)	Interest of controlled corporation	53,515,556	—	53,515,556	8.95%
Tam Miu Ching (Note 3)	Spousal interest	53,515,556	—	53,515,556	8.95%

Notes:

1. The entire issued share capital of Crossover Global Limited ("Crossover") is beneficially owned by three individuals, namely Mr. Chan Chun Fai, Mr. Qin Chuhua and Mr. Yang Zhijian at the percentage 45%, 29% and 26% respectively. Therefore, Mr. Chan Chun Fai, Mr. Qin Chuhua and Mr. Yang Zhijian are deemed to be interested in the 104,352,941 underlying shares held by Crossover under the SFO.

2. 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. Lam Hok Chung Rainier, Mr. Jong Yat Kit and Mr. Yu Sai Hung solely as Joint and Several Administrators pendente lite of Estate of Ms. Nina Kung.

3. 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.

4. Represents the approximate percentage of total issued shares as at 31 December 2012.

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 as at 31 December 2012 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										
Raymond Chu Wai Man (Retired as a non-executive Director on 30 June 2012)	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
Li Mow Ming Sonny (Resigned as an independent non-executive Director on 1 July 2012)	80,000	–	–	80,000	–	–	29.04.2010	1 year	29.04.2011–28.04.2020	HK$8.21
Liu Kwok Bond (Resigned as an independent non-executive Director on 1 July 2012)	80,000	–	–	80,000	–	–	29.04.2010	1 year	29.04.2011–28.04.2020	HK$8.21
Subtotal	2,960,000	–	–	2,960,000	–	–				
Other employees										
In aggregate	35,000	–	–	–	–	35,000	20.04.2005	3 years	20.04.2008–19.04.2015	34.5p
	1,040,000	–	–	100,000	–	940,000	29.04.2010	–	29.04.2010–28.03.2017	HK$8.21
	1,050,000	–	–	150,000	–	900,000	29.04.2010	1 year	29.04.2011–28.04.2020	HK$8.21
Subtotal	2,125,000	–	–	250,000	–	1,875,000				
Total	**5,085,000**	**–**	**–**	**3,210,000**	**–**	**1,875,000**				

Summary of principal terms of the Share Option Scheme

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

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

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

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

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

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

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

Summary of principal terms of the Post Listing Scheme

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

The Board may, at its discretion and on such terms as it may think fit, grant any participant an option as it may determine in accordance with the terms of the Post Listing Scheme. 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 2012 and up to the date of this annual report, the Company did not grant any option 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 2012.

CONVERTIBLE NOTES

On 23 April 2012, the Board announced that RCG International Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company (the "Purchaser") and Crossover Global Limited, a company incorporated in the British Virgin Islands (the "Vendor") entered into an agreement to acquire 27,500 ordinary shares of US$1.00 each in the share of Most Ideas Limited (the "Target") (the "Sale Shares"), representing 55% of the issued share capital of the Target (the "Sale and Purchase Agreement").

The Target is a company incorporated in the British Virgin Islands with limited liability and is owned as to 55% by the Vendor and 45% by Golden Matrix Holdings Limited as at 23 April 2012. Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell, the Sale Shares, representing 55% of the issued share capital of the Target for a total consideration of HK$88,700,000 which will be satisfied by the issue of the convertible notes in the aggregate principal amount of HK$88,700,000 with interest rate of 2% per annum to be issued by the Company to satisfy the consideration of HK$88,700,000 payable by the Purchaser for the Sale Shares under the Sale and Purchase Agreement (the "Convertible Notes").

On 25 June 2012, the Board announced that the ordinary resolution regarding the issue of the Convertible Notes and the issue and allotment of the ordinary shares of the Company upon the exercise of the conversion rights attached to the Convertible Notes at the conversion price of HK$0.85 (the "Convertible Rights") proposed at the special general meeting held on 25 June 2012 was duly passed.

On 31 August 2012, the Board announced that pursuant to the approval granted by HKSE for the listing of 104,352,941 ordinary shares of HK$0.01 each in the share of the Company upon the exercise of Conversion Rights, the ordinary shares of the Company listed on the Main Board of the HKSE have been issued and allotted to Crossover Global Limited on 31 August 2012 and were expected to be admitted to trading on the AIM market of the London Stock Exchange on 3 September 2012.

On 31 August 2012, the total issued share capital of the Company had enlarged to 597,576,496 ordinary shares of HK$0.01 each and Crossover Global Limited held an interest of 17.46% in the equity of the Company.

DISCLOSEABLE TRANSACTIONS

On 6 February 2013, the Board announced that during the period from 9 April 2012 to 6 February 2013, RCG China, an indirect wholly owned subsidiary of the Company, entered into the sale and purchase agreements with various purchasers pursuant to which RCG China agreed to sell and the purchasers agreed to purchase the properties of Units 1501–1503 and 1505–1507, Level 21, No. 8 Haidian North Second Street, Zhong Guan Cun SOHO Zhong Guan Cun, Haidian District, Beijing, PRC with total gross floor area of 1,240.81 square meters at the aggregate consideration of RMB39,404,350 (approximately HK$48,647,346) (the "Disposals").

As the highest applicable percentage ratios in respect of the Disposals (which were aggregated pursuant to Rule 14.22 of the Hong Kong Listing Rules) exceed 5% but were less than 25%, the Disposals collectively constituted a discloseable transaction for the Company and accordingly, was subject to the reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules.

Details of the transactions were published in the Company's announcement dated 6 February 2013.

On 28 March 2013, the Board announced that on 27 March 2013, Sharp Asia International Limited ("Sharp Asia"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreements pursuant to which Sharp Asia agreed to dispose of its 25% equity interest in I-Century Limited ("I-Century") for an aggregate consideration of HK$29 million (approximately

£2.46 million). I-Century is principally engaged in the business of language translation and localization services in Hong Kong and was acquired by the Group on November 2011 for a total consideration of HK$28,977,000. The unaudited net asset value of I-Century as at 31 December 2011 and 31 December 2012 were approximately HK$481,000 and HK$3,000 respectively. The net profits/(loss) before and after taxation and extraordinary items of I-Century for the year ended December 2011 and 31 December 2012 were approximately HK$569,000 and HK$(573,00) respectively. The book value of the Group's investment in I-Century in its group accounts for the year ended 31 December 2012 was HK$28,912,000, which also included a liability in relation to the Promissory Note of HK$10,500,000.

As the highest applicable percentage ratios in respect of the Disposal (which are aggregated pursuant to Rule 14.22 of the Hong Kong Listing Rules) exceed 5% but are less than 25%, the Disposal collectively constitute a discloseable transaction for the Company and accordingly, is subject to the reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules.

Details of the transactions were published in the Company's announcement dated 28 March 2013.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the 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 section of the Corporate Governance Report of this annual report on pages 18 to 24.

CHARITABLE CONTRIBUTIONS

During the year under review, the Group did not made charitable contribution (2011: HK$108,000).

AUDITORS

The accounts for the year were audited by HLB Hodgson Impey Cheng whose term of office will expire upon the forthcoming annual general meeting. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganized as HLB Hodgson Impey Cheng Limited. A resolution for the appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

There have been no other changes of auditors in the past three years except for the reorganisation of Messrs. HLB Hodgson Impey Cheng Limited in March 2012.

By order of the Board
Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman
Chairman

27 March 2013

Corporate Governance Report

During the year ended 31 December 2012, the Directors, where practicable, for an organisation of the Group's size and nature sought to comply with the UK Corporate Governance Code (the "Code"). The 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 Corporate Governance Code and Corporate Governance Report (the "CG Code") 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 code provisions set out in the CG Code throughout the year ended 31 December 2012, except for the deviation from code provision A.5.1 which is explained in the paragraph headed "Nomination Committee" on page 22.

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 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.

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 2012, there were seven Board members consisting of three executive Directors, one non-executive Director and three independent non-executive Directors:

Executive Directors:
Li Jinglong
Zhang Ligong
Wang Zhongling (appointed on 13 November 2012)

Non-executive Director:
Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman *(Chairman)*

Independent Non-executive Directors:
Pieter Lambert Diaz Wattimena
Kwan King Wah (appointed on 27 August 2012)
Zeng Min (appointed on 27 August 2012)

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.

During the year under review, nine Board meetings were held. Details of the attendance of the Directors are as follows:

Names of the Directors	Directors' Attendance
Executive Directors:	
Li Jinglong	9/9
Zhang Ligong	9/9
Wang Zhongling (appointed on 13 November 2012)	0/0
Chong Cha Hwa, Brandson (appointed on 1 July 2012 and resigned on 13 November 2012)	4/6
Non-executive Directors:	
Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman *(Chairman)*	9/9
Raymond Chu Wai Man (retired on 30 June 2012)	0/3
Independent Non-executive Directors:	
Pieter Lambert Diaz Wattimena	9/9
Kwan King Wah (appointed on 27 August 2012)	5/5
Zeng Min (appointed on 27 August 2012)	5/5
Li Mow Ming, Sonny (resigned on 1 July 2012)	2/3
Liu Kwok Bond (resigned on 1 July 2012)	2/3

GENERAL MEETINGS

During the year under review, the Company convened three general meetings including an annual general meeting of the Company held on 25 June 2012 and two special general meetings of the Company held on 14 January 2012 and 30 June 2012 respectively. The attendance record is set out below:

Names of the Directors	Directors' Attendance
Executive Directors:	
Li Jinglong	3/3
Zhang Ligong	3/3
Wang Zhongling (appointed on 13 November 2012)	0/0
Chong Cha Hwa, Brandson (appointed on 1 July 2012 and resigned on 13 November 2012)	0/0
Non-executive Directors:	
Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman *(Chairman)*	3/3
Raymond Chu Wai Man (retired on 30 June 2012)	0/3
Independent Non-executive Directors:	
Pieter Lambert Diaz Wattimena	3/3
Kwan King Wah (appointed on 27 August 2012)	0/0
Zeng Min (appointed on 27 August 2012)	0/0
Li Mow Ming, Sonny (resigned on 1 July 2012)	2/3
Liu Kwok Bond (resigned on 1 July 2012)	2/3

DIRECTORS' APPOINTMENT, RE-ELECTION AND REMOVAL

Each of executive Directors has entered into a service agreement 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.

Each of non-executive Director and independent 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 Bye-laws, Mr. Li Jinglong and Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman will retire and will seek re-election at the forthcoming AGM of the Company.

In accordance with Bye-law 86(2) of the Bye-laws, any Director appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. Mr. Wang Zhongling, Mr. Kwan King Wah and Mr. Zeng Min will retire and being eligible, put themselves 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rules 3.10(1) and 3.10A of the Hong Kong Listing Rules, there are three independent non-executive directors representing at least 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.

Since the resignations of Mr. Li Mow Ming, Sonny and Mr. Liu Kwok Bond as the independent non-executive Directors on 1 July 2012, there remained only one independent non-executive Director in the Board. Therefore, the Company was not compliant with Rule 3.10(1) of the Hong Kong Listing Rules. The Company was also not in compliance with Rule 3.10(2) of the Hong Kong Listing Rules upon the resignation of Mr. Li Mow Ming, Sonny.

The Company has appointed Mr. Kwan King Wah and Mr. Zeng Min as the independent non-executive Directors with effect from 27 August 2012 to fill in the vacancies so as to meet the requirements as set out in Rules 3.10(1) and 3.10(2) of the Hong Kong Listing Rules.

The Board evaluates the independence of all independent non-executive Directors on an annual basis and has received written confirmation from each independent non-executive Director regarding his independence. As at the date of this report, the Board considers that all independent non-executive Directors are independent and in full compliance with the independence guidelines as set out in Rule 3.13 in the Hong Kong Listing Rules.

RELATIONSHIP WITHIN DIRECTORS

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

DIRECTORS' TRAINING

According to the code provision A.6.5 of the CG Code, all directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant. The Company should be responsible for arranging and funding training, placing an appropriate emphasis on the roles, functions and duties of the Directors of the Company.

During the year under review and up to the date of this report, the Company had arranged to provide to all Directors with the "Guidelines for Directors" and the "Guide for Independent Non-executive Directors" issued by the Hong Kong Institute of Directors. Each of the Directors had noted and studied the above mentioned documents and that the Company had received from each of the Directors the confirmations on taking continuous professional training.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1 of the CG Code, the roles of the Chairman and the chief executive officer (the "CEO") should be separated and should not be performed by the same individual. During the year under review, Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman is the non-executive Chairman of the Company and Mr. Chew Tean Danny is the Company's Acting CEO. The two positions are now held by two separate individuals to ensure their respective independence, accountability and responsibility.

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 28 March 2012, in compliance with the CG Code. The primary function of the Remuneration Committee is to review the remuneration packages of all the Directors and the senior management.

The Remuneration Committee constitutes Mr. Zeng Min, 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, and Mr. Pieter Lambert Diaz Wattimena, an independent non-executive Director, as members. Mr. Liu Kwok Bond was the chairman of the Remuneration Committee who resigned on 1 July 2012.

During the year under review, the Remuneration Committee made recommendations to the Board on remuneration of Directors and senior management and determined on behalf of the Board specific remuneration packages and conditions of employment for executive Directors and senior management with reference to their duties and responsibilities in the Company as well as the prevailing market conditions. The Remuneration Committee also determined 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 section of Directors, Senior Management and Staff on pages 25 to 31, in the Directors' Report on pages 11 to 17 and also in note 11 to the consolidated financial statements.

During the year under review, one meeting was held. The attendance records for the Remuneration Committee meeting are as follows:

Names of the members	Members' Attendance
Zeng Min *(Chairman)* (appointed on 27 August 2012)	0/0
Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman	1/1
Pieter Lambert Diaz Wattimena	1/1
Liu Kwok Bond *(Chairman)* (resigned on 1 July 2012)	1/1

The number of senior management of the Group whose remuneration for the year ended 31 December 2012 fell within the following band is as follows:

	Number of senior management
Nil to HK$1,000,000	3

Nomination Committee

The Company established a nomination committee (the "Nomination Committee") on 28 June 2004 with written terms of reference, which was revised on 28 March 2012, in compliance with the CG Code. The primary functions of Nomination Committee are 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 Nomination Committee constitutes Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman, a non-executive Director, as chairman of the Nomination Committee with Mr. Kwan King Wah and Mr. Zeng Min, independent non-executive Directors, as members. Mr. Li Mow Ming, Sonny and Mr. Liu Kwok Bond were the members of the Nomination Committee who resigned on 1 July 2012.

Under code provision A.5.1 of the CG Code, the nomination committee should comprise a majority of independent non-executive directors. On 1 July 2012, Mr. Li Mow Ming, Sonny and Mr. Liu Kwok Bond have resigned as the members of Nomination Committee. Therefore, the Company deviated from code provision A.5.1 of the CG Code. The Company has appointed Mr. Kwan King Wah and Mr. Zeng Min as the members of Nomination Committee with effect from 27 August 2012 to fill in the vacancies so as to comply with code provision A.5.1 of the CG Code.

During the year under review, the Nomination Committee made recommendation to the Board on potential candidates to fill vacancies on the Board. It led the process for Board appointments and for identifying and nominating, for the approval of the Board, candidates for appointments to the Board. It also reviewed the structure, size and composition of the Board and kept 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. 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 *(Chairman)*	1/1
Kwan King Wah (appointed on 27 August 2012)	0/0
Zeng Min (appointed on 27 August 2012)	0/0
Li Mow Ming, Sonny (resigned on 1 July 2012)	1/1
Liu Kwok Bond (resigned on 1 July 2012)	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 28 March 2012, in compliance with the CG Code. The primary functions of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Company and meet with the Company's auditor twice a year.

The Audit Committee constitutes Mr. Kwan King Wah, 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, and Mr. Pieter Lambert Diaz Wattimena, an independent non-executive Director, as members. Mr. Li Mow Ming, Sonny was the chairman of the Audit Committee who resigned on 1 July 2012.

During the year under review, the Audit Committee had reviewed the Group's consolidated financial statements for the year ended 31 December 2012 and the interim consolidated financial statements for the six months ended 30 June 2012, including the accounting principles and practices adopted by the Group. The Audit Committee 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 also held meetings with the Company's auditor to discuss the auditing, internal control and financial reporting matters of the Company.

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

Names of the members	Members' Attendance
Kwan King Wah *(Chairman)* (appointed on 27 August 2012)	1/1
Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman	2/2
Pieter Lambert Diaz Wattimena	2/2
Li Mow Ming, Sonny (resigned on 1 July 2012)	1/1

CORPORATE GOVERNANCE FUNCTIONS

During the year under review, the Company's corporate governance functions were carried out by the Board pursuant to a set of written terms of reference adopted by the Board in compliance with code provision D.3.1 of the CG Code, which include (a) to develop and review the Company's policies and practices on corporate governance and make recommendations; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

COMPANY SECRETARY

The Company has engaged in a service contract with an external service provider, which Mr. Lo Wah Wai ("Mr. Lo") is appointed as the Company Secretary of the Company. Mr. Kenny Sim is the primary corporate contact person of the Company with Mr. Lo. The biography of Mr. Lo has been set out in page 31 under the section of the Directors, Senior Management and Staff.

Being the company secretary of the Company, Mr. Lo plays an important role in supporting the board by ensuring good information flow within the Board and that Board policy and procedures are followed. Mr. Lo is responsible for advising the Board on corporate governance matters and should also facilitate induction and professional development of directors.

Mr. Lo 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. He continues to study professional courses of corporate governance and has taken more than 15 hours of relevant professional training.

AUDITORS' REMUNERATION

For the year ended 31 December 2012, the remuneration in respect of audit services and other service assignment provided by the auditor of the Company, HLB Hodgson Impey Cheng Limited, amounted to approximately HK$6,000,000 and HK$1,000,000 respectively.

In March 2012, the practice of HLB Hodgson Impey Cheng was reorganized as HLB Hodgson Impey Cheng Limited. The accounts for the year were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be nominated for appointment as the auditors of the Company at the forthcoming annual general meeting.

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 2012, 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 2012 are set out in the Independent Auditor's Report.

SHAREHOLDERS' RIGHT

The rights of the shareholders of the Company (the "Shareholders") are set out in the Bye-laws.

Convening a special general meeting

The Shareholders may put forward their proposals or enquiries to the Board by sending their written request to the Company's principal place of business in Hong Kong.

Pursuant to Bye-law 58 of the Bye-laws, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in accordance with the provisions of Section 74(3) of the Bermuda Companies Act.

Putting enquiries to the Board

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Any such questions shall be first directed to the company secretary at the Company's head office and principal place of business in Hong Kong.

Putting forward proposals at Shareholders' meeting

Shareholder(s) can also submit a written requisition to move a resolution at a general meeting pursuant to Section 79 to 80 of the Bermuda Companies Act if they (a) represent not less than one-twentieth of the total voting rights of those shareholders having the right to vote at a general meeting; or (b) are not less than one hundred shareholders. The written requisition must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with at the general meeting and deposited at the Company's principal place of business in Hong Kong.

The written requisition must be signed by all the Shareholders concerned in one or more documents in like form and deposited at the Company's principal place of business in Hong Kong for the attention of the Company Secretary not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution, and not less than one week before the meeting in the case of any other requisition. A sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement given by the requisitionists to all shareholders in accordance with the requirements under the applicable laws and rules should also be accompanied.

RELATIONS WITH SHAREHOLDERS

The 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.

During the year under review, there has been no significant change in the Company's constitutional documents.

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 Directors who conduct regular meetings with their senior management team. During these meetings, the exposure to financial, operations and compliance risk are identified, reported on, assessed and controlled. Control procedures include annual budget approval, performance monitoring, review and approval of capital expenditures and the Group's financial arrangements. The Board retains primary responsibility for acquisition and divestment policy. Appropriate due diligence will be carried out when the Company acquires a business.

EXECUTIVE DIRECTORS

Li Jinglong

Mr. Li Jinglong, aged 53, holds a diploma in Business Management from Beijing Society Han Shou University in China. Prior to joining the Group, Mr. Li has, since 2005, been the general manager of Shanghai Yu Heng Pharmaceuticals Technology Company Limited, a company which specialises in surgical dressing and medical consumable products, and where he oversaw the company's long term development plans, daily operations and vendors and distributors management. He was the general manager of ZhongXing Industrial Development Company Limited from 1995 to 2005 where he was responsible for daily operations, trading and business developments of the company. Mr. Li is responsible for the Group's business development in China.

Save as disclosed above, Mr. Li has not previously held any position within the Company or any of its subsidiaries and has not been a director in any other listed company in the past three years.

As at the Latest Practicable Date, Mr. Li does not have any interests or short positions in the Company's shares within the meaning of Part XV of the SFO. Mr. Li does not have any relationship with any current or former director, senior management, or substantial or controlling shareholders of the Company.

Under the service agreement of Mr. Li entered into with the Company, the term of service is one year with an annual remuneration of HK$180,000. Mr. Li's emolument was determined with reference to his duties and responsibilities with the Company and the Company's standard for emoluments. Mr. Li will be subject to re-election at the Company's next annual general meeting and rotation at least once every three years in accordance with Bye-law 87(1) of the Bye-laws.

Save as disclosed above, there is no information to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Hong Kong Listing Rules.

Zhang Ligong

Mr. Zhang Ligong, aged 45, holds a diploma in Information Science and Engineering from Beijing Electrical & Information Engineering College in China. Prior to joining the Company, Mr. Zhang has been, since 2006, the deputy general manager of Beijing Zheshi Communications Technology Co. Ltd., a company specialising in home and office security and surveillance systems, and where he spearheaded sales, marketing and business development as well as being responsible for the company's operation and implementation of strategic direction. He was a technical engineer in Beijing Qinghe Textile Factory from 1986 to 2006. Mr. Zhang is responsible for the Group's business development in China.

Save as disclosed above, Mr. Zhang has not previously held any position with the Company or any of its subsidiaries and has not been a director in any other listed company in the past three years.

As at the Latest Practicable Date, Mr. Zhang does not have any interests or short positions in the Company's shares within the meaning of Part XV of the SFO. Mr. Zhang does not have any relationship with any current or former director, senior management, or substantial or controlling shareholders of the Company.

Under the service agreement of Mr. Zhang entered into with the Company, the term of service is one year with an annual remuneration of HK$180,000. Mr. Zhang's emolument was determined with reference to his duties and responsibilities with the Company and the Company's standard for emoluments. Mr. Zhang will be subject to re-election at the Company's next annual general meeting and rotation at least once every three years in accordance with Bye-law 87(1) of the Bye-laws.

Save as disclosed above, there is no information to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Hong Kong Listing Rules.

Wang Zhongling

Mr. Wang Zhongling, aged 30, holds a Diploma in Computer Science from the Jiaying College in China. Prior to joining the Company, Mr. Wang was, since 2008, the deputy general manager of Shenzhen Giinwin Technology Co. Ltd., a company specializing in computer intelligence and software development, wireless communication, smart device development, system integration and technical consultancy, where he was responsible for its operation and management. Mr. Wang has had more than 9 years experience in managing smart system projects in the technology sector and has held a number of senior technology related positions. Mr. Wang is responsible for the Group's technology investment and management.

Save as disclosed above, Mr. Wang has not previously held any position with the Company or any of its subsidiaries, and has not been a director in any other listed public companies in the last three years.

As at the Latest Practicable Date, Mr. Wang does not have any interests or short positions in the Company's shares within the meaning of Part XV of the SFO. Mr. Wang does not have any relationship with any current or former director, senior management, or substantial or controlling shareholders of the Company.

Under the service agreement of Mr. Wang entered into with the Company, the initial term of service is one year with an annual remuneration of HK$240,000. Mr. Wang's emolument was determined with reference to his duties and responsibilities with the Company and the Company's standard emoluments. Mr. Wang will be subject to re-election at the Company's next annual general meeting and rotation at least once every three years in accordance with Bye-law 87(1) of the Bye-laws.

Save as disclosed above, there is no information to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Hong Kong Listing Rules.

NON-EXECUTIVE DIRECTOR

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

Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman, aged 70, was appointed as an independent non-executive Director on 1 June 2010. He was redesignated as a non-executive Director and appointed as the non-executive Chairman of the Company 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 to 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 an Adjunct Professor in the Faculty of Law and International Relations of the University of Sultan Zainal Abidin (UniSZA) Malaysia from 1 February 2009 to 31 January 2013. In July 2010, Tan Sri Dato' Nik Hashim attended and successfully completed a course in Executive Education programme at Harvard Business School in Boston, USA.

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 China Stationery Limited and Olympia Industries Bhd, both companies listed on the Bursa Malaysia Securities Berhad, as an independent non-executive director. He was an independent non-executive director of Inch Kenneth Kajang Rubber Public Limited Company and an independent and non-executive chairman of Baswell Resources Berhad, both companies listed on the Bursa Malaysia Securities Berhad.

Save as disclosed above, Tan Sri Dato' Nik Hashim has not previously held any position within the Company or any of its subsidiaries and has not been a director in any 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 term of service is one year with a director's fees of HK$240,000 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 Bye-laws. Save as disclosed above, there is no other emoluments of Tan Sri Dato' Nik Hashim are covered by a service contract.

Save as disclosed above, there is no information to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Hong Kong Listing Rules.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Pieter Lambert Diaz Wattimena

Mr. Pieter Lambert Diaz Wattimena, aged 63, 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.

Save as disclosed above, Mr. Diaz Wattimena has not previously held any position with the Company or any of its subsidiaries, and has not been a director in any other listed public 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 term of service is one year with a director's fees of HK$200,000 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 Bye-laws. Save as disclosed above, there is no other emoluments of Mr. Diaz Wattimena are covered by a service contract.

Save as disclosed above, there is no information to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Hong Kong Listing Rules.

Kwan King Wah

Mr. Kwan King Wah, aged 49, was appointed as an independent non-executive Director on 27 August 2012. He was also appointed as the Chairman of the Audit Committee of the Company and a member of the Nomination Committee of the Company.

Mr. Kwan, formerly known as Kwan Fu Tang and Kwan Chik Wah, is a fellow member of the Hong Kong Institute of Certified Public Accountants. He obtained a Diploma in Accountancy with credit awarded from Hong Kong Tuen Mun Technical Institute and had attended a Microsoft Certified Systems Engineer (MCSE) Course at UniTech Consultancy Limited. Mr. Kwan has had more than 20 years working experiences in providing his expertise in accounting and auditing services to various companies.

Mr. Kwan is the founder and the present sole proprietor to K.W. Kwan & Co., an audit firm which registered with Hong Kong Institute of Certified Public Accountants for practicing as Certified Public Accountants. Mr. Kwan presently holds directorships in two Hong Kong private companies, namely Pronet Consulting Limited and Sunny Earth Limited.

Save as disclosed above, Mr. Kwan has not previously held any position with the Company or any of its subsidiaries, and has not been a director in any other listed public companies in the last three years.

As at the Latest Practicable Date, Mr. Kwan does not have any interests or short positions in the Company's shares within the meaning of Part XV of the SFO. Mr. Kwan does not have any relationship with any current or former director, senior management, or substantial or controlling shareholders of the Company.

Under the appointment letter Mr. Kwan entered into with the Company, the initial term of service is one year with an annual remuneration of HK$180,000. Mr. Kwan's emolument was determined with reference to his duties and responsibilities with the Company and the Company's standard emoluments. Mr. Kwan will be subject to re-election at the Company's next annual general meeting and rotation at least once every three years in accordance with Bye-law 87(1) of the Bye-laws. Save as disclosed above, there is no other emoluments of Mr. Kwan are covered by a service contract.

Save as disclosed above, there is no information to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Hong Kong Listing Rules.

Zeng Min

Mr. Zeng Min, aged 41, was appointed as an independent non-executive Director on 27 August 2012. He was also appointed as the Chairman of the Remuneration Committee of the Company and a member of the Nomination Committee of the Company.

Mr. Zeng graduated from the College of Management of Shenzhen University. He is currently the General Manager of Dongguan Huayue Electronic Co. Ltd. Mr. Zeng has over 20 years of experience in electronic industry. He has held management positions in several electronic enterprises and has acquired intensive knowledge in the production, research and development, design of electronic products and corporate management.

Save as disclosed above, Mr. Zeng has not previously held any position with the Company or any of its subsidiaries, and has not been a director in any other listed public companies in the last three years.

As at the Latest Practicable Date, Mr. Zeng does not have any interests or short positions in the Company's shares within the meaning of Part XV of the SFO. Mr. Zeng does not have any relationship with any current or former director, senior management, or substantial or controlling shareholders of the Company.

Under the appointment letter Mr. Zeng entered into with the Company, the initial term of service is one year with an annual remuneration of HK$180,000. Mr. Zeng's emolument was determined with reference to his duties and responsibilities with the Company and the Company's standard emoluments. Mr. Zeng will be subject to re-election at the Company's next annual general meeting and rotation at least once every three years in accordance with Bye-law 87(1) of the Bye-laws. Save as disclosed above, there is no other emoluments of Mr. Zeng are covered by a service contract.

Save as disclosed above, there is no information to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Hong Kong Listing Rules.

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

Chew Tean Danny
Acting Chief Executive Officer, Chief Representative of RCG Malaysia and ME

Mr. Chew Tean Danny, aged 40, joined the Group in January 2006 and was appointed as the Acting Chief Executive Officer of the Company on 15 July 2011. He has vast experiences in sales and business development. Mr. Chew holds directorships in the subsidiaries of the Group and responsible for the Group's business development, operation and management. Mr. Chew obtained a double major degree in Marketing and Business administration from the University of Strathclyde in Glasgow, Scotland.

Kenny Sim
Deputy Chief Financial Officer

Mr. Kenny Sim, aged 37, joined the Group in 2010 as a financial controller. Prior to joining the Group, Mr. Kenny Sim had over ten years experience in corporate finance, investment management and banking, where he served in various capacities including as chief financial officer, executive director and financial controller of public listed companies. Mr. Kenny Sim is a Chartered Accountant of the Malaysian Institute of Accountants and a Certified Public Accountant of CPA Australia. He obtained his bachelor's degree in Accountancy and master's degree in Finance from the Royal Melbourne Institute of Technology, Australia.

James Shen
Chief Representative of RCG China

Mr. Shen Jing James, aged 50, 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 21 years of experience in sales and development in the information technology industry.

COMPANY SECRETARY

Lo Wah Wai

Mr. Lo, aged 49, 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 paragraph headed "Human Resources" under the section of the Management Discussion and Analysis on page 10.

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.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

Chartered Accountants
Certified Public Accountants

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

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

We have audited the consolidated financial statements of RCG Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 116, which comprise the consolidated and the company statements of financial position as at 31 December 2012, 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 then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view 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 the directors of the Company 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

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 2012 and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Chartered Accountants
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong, 27 March 2013

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Turnover	8	**1,022,625**	1,385,288
Cost of sales		**(1,664,615)**	(1,131,715)
Gross (loss)/profit		**(641,990)**	253,573
Other revenue and gains	9	**8,632**	37,554
Change on fair value of financial assets at fair value through profit or loss		**(1,453)**	(14,027)
Impairment loss on trade receivables	25	**(276,844)**	(634,404)
Provision for obsolete inventories	10	**(207,762)**	(17,075)
Impairment loss on available-for-sale financial assets	21	**(3,707)**	(74,152)
Impairment loss on intangible assets	20	**(381,412)**	(630,347)
Impairment loss recognised in respect of goodwill	19	**—**	(4,508)
Selling and distribution expenses		**(171,249)**	(108,300)
Administrative expenses		**(165,130)**	(351,841)
Loss from operations	10	**(1,840,915)**	(1,543,527)
Finance costs	12	**(4,807)**	(6,135)
Share of losses of associates		**(120)**	(21)
Loss before taxation		**(1,845,842)**	(1,549,683)
Income tax expense	13	**(246)**	(1,091)
Loss for the year		**(1,846,088)**	(1,550,774)
Attributable to:			
Owners of the Company		**(1,874,373)**	(1,354,937)
Non-controlling interests		**28,285**	(195,837)
		(1,846,088)	(1,550,774)
Loss per share attributable to owners of the Company			
— Basic (HK cents)	14	**(314.7)**	(323.9)
— Diluted (HK cents)	14	**(314.7)**	(323.9)

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 2012

	Notes	2012 HK$'000	2011 HK$'000
Loss for the year		**(1,846,088)**	(1,550,774)
Other comprehensive loss for the year			
Available-for-sale financial assets:			
Loss arising on change in fair value		**(5,050)**	(34,242)
Exchange difference on translating foreign operations			
Exchange differences arising during the year		**8,079**	(27,713)
Reclassification adjustments upon disposal		**(128)**	(32,465)
		7,951	(60,178)
		2,901	(94,420)
Total comprehensive loss for the year		**(1,843,187)**	(1,645,194)
Attributable to:			
Owners of the Company		**(1,871,473)**	(1,448,778)
Non-controlling interests		**28,286**	(196,416)
		(1,843,187)	(1,645,194)

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

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**157,813**	176,039
Investment properties	17	**57,765**	61,257
Prepaid lease payments	18	**19,221**	32,909
Goodwill	19	**62,017**	20,905
Intangible assets	20	**88,200**	466,632
Interests in associates	35	**28,912**	29,032
Available-for-sale financial assets	21	**34,220**	42,977
		448,148	829,751
Current assets			
Prepaid lease payments	18	**208**	497
Inventories	24	**386,326**	659,464
Financial assets at fair value through profit or loss	22	**3,732**	5,185
Trade receivables	25	**458,977**	866,579
Deposits, prepayments and other receivables	26	**4,997**	621,730
Cash at bank and on hand	27	**28,202**	52,683
		882,442	2,206,138
Total assets		**1,330,590**	3,035,889
CAPITAL AND RESERVES			
Share capital	28	**5,976**	4,932
Reserves	29	**1,113,788**	2,897,712
Equity attributable to owners of the Company		**1,119,764**	2,902,644
Non-controlling interests		**38,644**	(28,919)
Total equity		**1,158,408**	2,873,725

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
LIABILITIES			
Non-current liabilities			
Interest-bearing borrowings	30	**42,335**	44,623
Obligations under finance leases	31	**174**	223
Deferred tax liabilities	32	**17,698**	2,452
		60,207	47,298
Current liabilities			
Trade payables	33	**20,991**	13,217
Accruals and other payables	34	**74,817**	58,897
Tax payables		**912**	—
Interest-bearing borrowings	30	**4,685**	32,611
Promissory note	36	**10,500**	10,043
Obligations under finance leases	31	**70**	98
		111,975	114,866
Total liabilities		**172,182**	162,164
Total equity and liabilities		**1,330,590**	3,035,889
Net current assets		**770,467**	2,091,272
Total assets less current liabilities		**1,218,615**	2,921,023

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 27 March 2013 and signed on its behalf by:

Li Jinglong	**Zhang Ligong**
Executive Director	*Executive Director*

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

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**1**	2
Investments in subsidiaries	23	**88,724**	24
Available-for-sale financial assets	21	**20**	5,070
		88,745	5,096
Current assets			
Amounts due from subsidiaries	23	**648,762**	649,212
Deposits, prepayments and other receivables	26	**214**	216
Cash at bank and on hand	27	**—**	13
		648,976	649,441
Total assets		**737,721**	654,537
CAPITAL AND RESERVES			
Share capital	28	**5,976**	4,932
Reserves	29	**709,495**	637,143
Equity attributable to owners of the Company		**715,471**	642,075
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries	37	**3,461**	443
Accruals and other payables	34	**18,789**	12,019
Total liabilities		**22,250**	12,462
Total equity and liabilities		**737,721**	654,537
Net current assets		**626,726**	636,979
Total assets less current liabilities		**715,471**	642,075

The financial statements were approved and authorised for issue by the board of directors of the Company on 27 March 2013 and signed on its behalf by:

Li Jinglong	**Zhang Ligong**
Executive Director	*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 2012

	Attributable to owners of the Company													
	Share capital HK$'000	Share premium HK$'000	Available-for-sale securities revaluation reserve HK$'000	Employee share-based compensation reserve HK$'000	Convertible note 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/ (Accumulated loss) HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 1 January 2011	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
Loss for the year	–	–	–	–	–	–	–	–	–	–	(1,354,937)	(1,354,937)	(195,837)	(1,550,774)
Other comprehensive loss for the year	–	–	(34,242)	–	–	–	(59,599)	–	–	–	–	(93,841)	(579)	(94,420)
Total comprehensive loss for the year	–	–	(34,242)	–	–	–	(59,599)	–	–	–	(1,354,937)	(1,448,778)	(196,416)	(1,645,194)
Share-based payment	–	–	–	13,507	–	–	–	–	–	–	–	13,507	–	13,507
Lapse of share options	–	–	–	(24,191)	–	–	–	–	–	–	24,191	–	–	–
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(12,708)	(12,708)
Release of exchange reserve upon deregistration of a subsidiary	–	–	–	–	–	–	784	–	–	–	(784)	–	–	–
Disposal of subsidiaries	–	–	–	–	–	–	–	(83,577)	–	–	83,577	–	(2,361)	(2,361)
Acquisition of a subsidiary and assets (note 38(b)(ii) & 39)	–	–	–	–	–	–	–	–	–	–	–	–	1,051	1,051
Issue of shares upon Subscription	410	106,397	–	–	–	–	–	–	–	–	–	106,807	–	106,807
Acquisition of additional interest in subsidiaries from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(2,062)	(2,062)	(482)	(2,544)
Placing of shares	1,507	180,018	–	–	–	–	–	–	–	–	–	181,525	–	181,525
Shares issuing expenses	–	(2,981)	–	–	–	–	–	–	–	–	–	(2,981)	–	(2,981)
As at 31 December 2011 and 1 January 2012	4,932	2,051,074	(34,242)	21,161	–	(872)	(21,317)	–	48	59,150	822,710	2,902,644	(28,919)	2,873,725
Loss for the year	–	–	–	–	–	–	–	–	–	–	(1,874,373)	(1,874,373)	28,285	(1,846,088)
Other comprehensive loss for the year	–	–	(5,050)	–	–	–	7,950	–	–	–	–	2,900	1	2,901
Total comprehensive loss for the year	–	–	(5,050)	–	–	–	7,950	–	–	–	(1,874,373)	(1,871,473)	28,286	(1,843,187)
Lapse of share options	–	–	–	(12,381)	–	–	–	–	–	–	12,381	–	–	–
Release of share issuable reserve	–	–	–	–	–	–	–	–	–	(59,150)	59,150	–	–	–
Release of exchange reserve upon deregistration of a subsidiary	–	–	–	–	–	–	(60)	–	–	–	(244)	(304)	304	–
Acquisition of subsidiaries (note 38(b)(i))	–	–	–	–	4,162	–	–	–	–	–	–	4,162	38,936	43,098
Deferred tax of convertible note issue for acquisition of a subsidiary	–	–	–	–	(687)	–	–	–	–	–	–	(687)	–	(687)
Conversion of convertible note	1,044	87,853	–	–	(3,475)	–	–	–	–	–	–	85,422	–	85,422
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	37	37
As at 31 December 2012	5,976	2,138,927	(39,292)	8,780	–	(872)	(13,427)	–	48	–	(980,376)	1,119,764	38,644	1,158,408

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Cash flows from operating activities			
Loss before taxation		**(1,845,842)**	(1,549,683)
Adjustment for:			
Amortisation of intangible assets	20	**95,020**	198,065
Amortisation of prepaid lease payments	18	**305**	496
Depreciation	16	**16,977**	23,303
Loss/(gain) on disposal of property, plant and equipment	10	**2,265**	(355)
Loss on disposal of investment properties		**2,311**	—
Gain on disposal of prepaid lease payments		**(1,436)**	—
Share-based payment expenses	46	**—**	13,507
Gain arising on change in fair value of investment properties	9, 17	**(2,770)**	(5,311)
(Gain)/loss on disposal of subsidiaries	38(a)(i)(ii)	**(109)**	14,029
Gain on disposal of an associate	9, 35	**—**	(77)
Share of losses of associates	35	**120**	21
Reversal of provision for obsolete inventories	9	**(989)**	(60)
Reversal of impairment loss on trade receivables	9	**—**	(570)
Provision for obsolete inventories	9	**207,762**	17,075
Impairment loss on trade receivables	25	**276,844**	634,404
Impairment loss on other receivables		**—**	3,600
Impairment loss recognised in respect of goodwill	19	**—**	4,508
Impairment loss on intangible assets	20	**381,412**	630,347
Impairment loss on available-for-sale financial assets	21	**3,707**	74,152
Loss arising on fair value of financial assets at fair value through profit or loss		**1,453**	14,027
Bank interest income	9	**(130)**	(915)
Written-off of property, plant and equipment	10	**1,284**	4,097
Interest expenses on interest-bearing borrowings and bank overdrafts, promissory note and finance leases		**4,623**	5,899
Operating cash flows before movements in working capital		**(857,193)**	80,559
Decrease in inventories		**66,365**	27,617
Decrease/(increase) in trade receivables		**137,935**	(243,152)
Decrease in deposits, prepayments and other receivables		**616,578**	153,650
Increase/(decrease) in trade payables		**7,565**	(98,552)
Increase in accruals and other payables		**11,118**	38,573
Cash used in operations		**(17,632)**	(41,305)
Bank interest income received	9	**130**	915
Income tax paid		**(395)**	(2,357)
Net cash used in operating activities		**(17,897)**	(42,747)

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Cash flows from investing activities			
Purchases of property, plant and equipment	16	**(2,006)**	(1,878)
Purchase of available-for-sale financial assets		**—**	(73,512)
Purchase of financial assets at fair value through profit or loss		**—**	(19,212)
Decrease/(increase) in fixed deposits	27	**25,287**	(3,000)
Investment in intangible assets	20	**—**	(66,360)
Net cash paid for acquisition of associates	35	**—**	(19,076)
Net cash paid for acquisition of addition shares of subsidiaries		**—**	(2,544)
Net cash received from/(paid for) acquisition of a subsidiary and assets	38(b), 39	**2,051**	(19,645)
Proceeds from disposal of subsidiaries	38(a)	**—**	1,252
Proceeds from disposal of associates	35	**—**	77
Proceeds from disposal of prepaid lease payments		**15,734**	—
Proceeds from disposal of investment properties		**3,951**	—
Proceeds from disposal of property, plant and equipment		**3,703**	1,264
Net cash generated from/(used in) investing activities		**48,720**	(202,634)
Cash flows from financing activities			
Interest expenses paid on interest-bearing borrowings and bank overdrafts	12	**(3,606)**	(5,833)
Issue of new shares		**—**	288,332
Share issuing expenses		**—**	(2,981)
Interest-bearing borrowings repaid, net		**(32,646)**	(184,185)
Proceeds from inception of obligations under finance leases		**—**	340
Repayment of obligations under finance leases		**(86)**	(544)
Dividends paid to non-controlling shareholders		**—**	(12,708)
Net cash (used in)/generated from financing activities		**(36,338)**	82,421
Net decrease in cash and cash equivalents for the year		**(5,515)**	(162,960)
Cash and cash equivalents at beginning of the year		**27,929**	220,555
Effect of foreign exchange rate changes		**5,611**	(29,666)
Cash and cash equivalents at end of the year		**28,025**	27,929
Analysis of the balances of cash and cash equivalents:			
Cash at bank and on hand		**28,202**	52,683
Pledged bank deposit		**—**	(3,000)
Fixed deposits		**(177)**	(21,754)
Cash and cash equivalents at end of the year		**28,025**	27,929

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 23.

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 financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the disclosure requirements of 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$") which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (HK$'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 International Accounting standards ("IAS"), International Financial Reporting Standards ("IFRSs") and International Financial Reporting Interpretations Committee interpretations ("IFRIC") for the first time for the current year's consolidated financial statements which do not have any significant impact on the Group's consolidated financial statements.

IAS 12 (Amendments)	Deferred tax: Recovery of underlying asset
IFRS 7 (Amendments)	Financial instruments: Disclosures — Transfers of financial assets

Amendments to IAS 12 Deferred tax: recovery of underlying assets

Under the amendments to IAS 12 "Deferred tax: recovery of underlying assets", investment properties that are measured using the fair value model in accordance with IAS 40 "Investment property" are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

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

Amendments to IAS 12 Deferred tax: recovery of underlying assets (Continued)

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to IAS 12, the directors reviewed the Group's investment property and concluded that the Group's investment property in the People's Republic of China (the "PRC") is held under a business model whose objective is to consume substantially all of the economic benefits embodies in the investment property over time, and that the presumption set out in the amendments to IAS 12 is rebutted. Accordingly, deferred taxation in relation to the Group's investment property has been measured based on the tax consequences of recovering the carrying amounts entirely through use.

Previously, the Group recognised deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use. As a result, the application of the amendments to IAS 12 in the current year has had no material effect on the amounts reported in the consolidated financial statements and/or disclosures set out in these consolidated financial statements.

Other than stated above, the application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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 financial statements.

IFRS 1 (Amendments)	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standard — Government loan[1]
Amendments to IFRSs	Annual improvements to IFRS 2009-2011 cycle except for the amendments to IAS 1[1]
IFRS 7 (Amendments)	Disclosures — Offsetting financial assets and financial liabilities[1]
IFRS 9	Financial instruments[3]
IFRS 9 and IFRS 7 (Amendments)	Mandatory effective date of IFRS 9 and transition disclosures[3]
IFRS 10, IFRS 11 and IFRS 12 (Amendments)	Amendments to IFRS 10, IFRS 11 and IFRS 12 — Transition guidance[1]
IFRS 10, IFRS 12 and HKAS 27 (Amendments)	Amendments to IFRS 10, IFRS 12 and IAS 217 (Revised) — Investment entities[2]
IFRS 10	Consolidated financial statements[1]
IFRS 11	Joint arrangements[1]
IFRS 12	Disclosure of interests in other entities[1]
IFRS 13	Fair value measurement[1]
IAS 1 (Amendments)	Presentation of items of other comprehensive income[4]
IAS 19 (as revised in 2011)	Employee benefits[1]
IAS 27 (as revised in 2011)	Separate financial statements[1]
IAS 28 (as revised in 2011)	Investments in associates and joint ventures[1]
IAS 32 (Amendments)	Offsetting financial assets and financial liabilities[2]
IFRIC — Int 20	Stripping costs in the production phase of a surface mine[1]
Annual Improvements 2009–2011 Cycle	Amendments to a number of IFRS issued in May 2012[1]

[1] Effective for annual periods beginning on or after 1 January 2013.
[2] Effective for annual periods beginning on or after 1 January 2014.
[3] Effective for annual periods beginning on or after 1 January 2015.
[4] Effective for annual periods beginning on or after 1 July 2012.

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

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

IFRS 9 Financial instruments

IFRS 9 “Financial instruments” (as issued in 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 “Financial instruments” (as revised in October 2010) adds requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

— all recognised financial assets that are within the scope of IAS 39 “Financial instruments: recognition and measurement” are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

— with regard to measurement of financial liabilities that are designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that IFRS 9 that will be adopted in the Group’s consolidated financial statements for financial year ending 31 December 2015 and that the application of IFRS 9 will mainly affect the classification and measurement of the Group’s available-for-sale investments. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

IFRS 10 replaces the parts of IAS 27 “Consolidated and separate financial statements” that deal with consolidated financial statements. IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor’s returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

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

New and revised standards on consolidation, joint arrangements, associates and disclosures (Continued)

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

In June 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12, were issued to clarify certain transition guidance on the application of these five IFRSs for the first time.

These five standards, together with the amendments relating to the transition guidance, are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time. The directors anticipate that the application of these five standards is not expected to have a material impact on the amounts reported in the consolidated financial statements.

IFRS 13 Fair Value measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 "Financial instruments: Disclosures" will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that the application of the new standard may affect the amounts of available-for-sale investments reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to IAS 1 Presentation of items of other comprehensive income

The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors of the Company anticipate that the application of the other new and revised IFRSs will have no material impact on the consolidated financial statements.

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.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When 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.

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 control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest 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 or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). 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

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 the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

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

— liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date (see note above); and

— 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 are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any noncontrolling 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 reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed 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 that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group 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 included 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 corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Business combinations (Continued)

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 IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When 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. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

The policy described above is applied to all business combinations that take place on or after 1 January 2010.

(c) Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

The Group's policy for goodwill arising on the acquisition of an associate is described at note below.

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

— the technical feasibility of completing the intangible asset so that it will be available for use or sale;

— the intention to complete the intangible asset and use or sell it;

— the ability to use or sell the intangible asset;

— how the intangible asset will generate probable future economic benefits;

— the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

— the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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.

(e) Revenue recognition

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

Sale of goods

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

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

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

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

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

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

Rendering of services

Revenue from provision of biometric, RFID solution services and development of internet and web software 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 carrying amount.

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) 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, using straight-line method. The principal annual rates are as follows:

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.

(g) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties 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 profit or loss in the period in which the property is derecognised.

(h) Prepaid lease payments

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

(i) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any 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). When 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 asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of tangible and intangible assets other than goodwill (Continued)

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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 for which the estimates of future cash flows have not been adjusted.

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 (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease (see note above).

When an impairment loss subsequently reverses, the carrying amount of the asset (or a 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase (see note above).

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

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, 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 end of the reporting 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 end of the reporting date.

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. 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 deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 the end of each reporting period 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 liabilities and assets 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 end of the reporting period.

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 end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

(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 when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in income statement.

Financial assets

The Group's financial assets are classified into the 'financial assets at fair value through profit or loss' (FVTPL), 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Financial instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the consolidated income statement. Fair value is determined in the manner described in note 40.

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed equity instruments by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. Fair value is determined in the manner described in note 40. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see above), interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in income statement. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of available-for-sale securities revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to income statement.

Dividends on AFS equity instruments are recognised in income statement when the Group's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in income statement are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and receivable

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivable, deposits and other receivables, and cash at bank and on hand) are measured at amortised cost using the effective interest method, less any identified impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Financial instruments (Continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

— breach of contract, such as a default or delinquency in interest or principal payments; or

— it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

— the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 180 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount 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 loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Financial instruments (Continued)

Impairment of financial assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of available-for-sale securities revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Financial liabilities (including interest-bearing borrowings, obligations under finance leases, trade payable and accrual and other payables, convertible note and promissory note) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognised in profit or loss.

(o) 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.

(p) 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.

(q) 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.

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Leasing (Continued)

The Group as lessor

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 consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see note above). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense 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 asset are consumed. Contingent rentals arising under operating leases are recognised as an expense 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 benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(r) Impairment of assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows and discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Impairment of assets (Continued)

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.

(s) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

The policy described above is applied to all equity-settled share-based payment transactions that were granted after 7 November 2002 and vested after 1 January 2005. No amounts have been recognised in the consolidated financial statements in respect of other equity-settled shared-based payments.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

(t) Related parties

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

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

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group; or

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

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

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

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

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Related parties (Continued)

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

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

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

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

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

(u) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

(v) Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, are subsequently measured at the higher of:

— the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and

— the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognised in profit or loss.

(w) Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Interests in associates (Continued)

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

(x) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of operating segments, has been identified as the key managements of the Company.

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Operating segments (Continued)

The key management consider the business for both business and geographic respective. Business respective include Trading of Security & Biometric Products, Solutions, Projects and Service, Internet & Mobile Application & Related Accessories and Commodities Trading operating segments. Geographic respective include Southeast Asia (include China) and Middle East.

7. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Estimated impairment of goodwill

The management of the Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 6(c). 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.

(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.

7. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(d) Provision for obsolete inventories

The management of the Group reviews an aging analysis at the end of each reporting period, and makes provision for obsolete and slow-moving items. The management estimates the net realisation value for such finished goods based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of each reporting period and makes provision for obsolete items.

(e) Impairment of trade and other receivables

The debt profile of trade and other receivables is reviewed on a regular basis to ensure that the trade and other 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 and other receivables balances are called into doubts, specific provisions for trade and other receivables are made based on credit status of the debtors, the aged analysis of the receivables balances and written-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivables to the consolidated statement of comprehensive income. Changes in the collectability of trade and other receivables for which provision are not made could affect the results of operations.

(f) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are primarily based on market conditions existing at the end of each reporting period.

(g) Impairment of intangible assets

The directors of the Company reconsidered the recoverability of the Group's intangible assets "product development and design" and "mobile applications software and technology". 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.

(h) 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.

7. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(i) Fair value of investment properties

At the end of the reporting period, the Group's investment properties are stated at fair value of approximately HK$57,765,000 (2011: HK$61,257,000) based on the valuation performed by an independent qualified professional valuer. In determining the fair value, the valuers have applied a market value basis which is direct comparison approach with reference to comparable transactions in the open market and on the basis of vacant possession. In relying on the valuation, management has exercised its judgment and is satisfied that the method of valuation is reflective of the current market conditions. Should there be changes in assumptions due to change in market conditions, the fair value of the investment properties will change in future.

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 a business and geographic perspective. From a business perspective, key management assesses the performance of Trading of Security & Biometric Products, Solutions, Projects and Service, Internet & Mobile Application & Related Accessories and Commodities Trading operating segments.

— *Trading of security & Biometric Products segments* consists of biometrics and RFID products for consumer applications. Examples include the m-series fingerprint doorlocks and FX-Secure-Key. Also, it carries biometric and RFID products and components for commercial use, such as i-series and s-series fingerprint authentication devices, together with EL-1000 and XL-1000 controllers forming access control, r-series RFID readers and controllers and K-series multi-modal security devices combining facial recognition, fingerprint authentication, password and RFID. The Group predominantly sells to distributors, system integrators and security system providers.

— *Solutions, Projects and Services segment* makes bespoke system solutions for end-users using our internally developed software and hardware capabilities supported by our own and third party products as required.

— *Internet & Mobile's Application & Related Accessories segment* are mobile and gaming industry and in particular in Online gaming, Utilities Applications for IOS, Translations business and Mass Advertising.

— *Commodities Trading segment* are trading of commodities good.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segments performance is evaluated base on reportable segments gross profit/(loss), which is a measure of segment profit/(loss). Segment assets include trade all tangible, intangible assets and current assets with the exception of 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:

	Trading of Security & Biometric Products		Solutions, Projects and Services		Internet & Mobile's Application & Related Accessories		Commodities Trading		Unallocated		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Turnover												
— external sales	**995,204**	1,184,488	**576**	196,560	**22,776**	4,240	**4,069**	–	**–**	–	**1,022,625**	1,385,288
Segment results	**(651,612)**	187,653	**373**	65,509	**9,243**	411	**6**	–	**–**	–	**(641,990)**	253,573
Unallocated other operating income									**8,523**	51,583	**8,523**	51,583
Change on fair value of financial assets at fair value through profit or loss	**–**	–	**–**	–	**–**	–	**–**	–	**(1,453)**	(14,027)	**(1,453)**	(14,027)
Depreciation	**(10,822)**	(4,473)	**(3,328)**	(3,820)	**(166)**	–	**–**	–	**(2,661)**	(15,010)	**(16,977)**	(23,303)
Amortisation of prepaid lease payments	**(100)**	(288)	**–**	–	**–**	–	**–**	–	**(205)**	(208)	**(305)**	(496)
Amortisation of intangible assets	**–**	–	**(85,220)**	(198,065)	**(9,800)**	–	**–**	–	**–**	–	**(95,020)**	(198,065)
Impairment loss on other receivables	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(3,600)	**–**	(3,600)
Impairment loss on trade receivables	**(276,380)**	(401,546)	**–**	(232,858)	**(343)**	–	**–**	–	**(121)**	–	**(276,844)**	(634,404)
Impairment loss on available-for-sale financial assets	**–**	–	**–**	–	**–**	–	**–**	–	**(3,707)**	(74,152)	**(3,707)**	(74,152)
Impairment loss on intangible assets	**(203,904)**	(120,574)	**(177,508)**	(509,773)	**–**	–	**–**	–	**–**	–	**(381,412)**	(630,347)
Impairment loss recognised in respect of goodwill	**–**	–	**–**	(4,508)	**–**	–	**–**	–	**–**	–	**–**	(4,508)
Provision for obsolete inventories									**(207,762)**	(17,075)	**(207,762)**	(17,075)
Unallocated expenses									**(224,088)**	(248,727)	**(224,088)**	(248,727)
Finance costs									**(4,807)**	(6,135)	**(4,807)**	(6,135)
Loss before taxation									**(436,281)**	(327,351)	**(1,845,842)**	(1,549,683)
Income tax expense									**(246)**	(1,091)	**(246)**	(1,091)
Loss for the year									**(436,527)**	(328,442)	**(1,846,088)**	(1,550,774)
Segment assets	**821,859**	1,278,118	**–**	1,409,270	**169,593**	1,863	**4,069**	–	**335,070**	346,638	**1,330,591**	3,035,889
Segment liabilities	**12,278**	81,406	**–**	9,010	**4,615**	–	**4,063**	–	**151,229**	71,748	**172,185**	162,164
Other segment information:												
Additions to non-current assets	**31**	25,704	**–**	41,875	**1,575**	–	**–**	–	**400**	659	**2,006**	68,238
Interests in associates	**–**	–	**–**	–	**–**	–	**–**	–	**28,913**	29,032	**28,913**	29,032
Share of loss of associates	**–**	–	**–**	–	**–**	–	**–**	–	**(120)**	(21)	**(120)**	(21)
Depreciation	**(10,822)**	(4,473)	**(3,328)**	(3,820)	**(166)**	–	**–**	–	**(2,661)**	(15,010)	**(16,977)**	(23,303)
Amortisation of prepaid lease payments	**(100)**	(288)	**–**	–	**–**	–	**–**	–	**(205)**	(208)	**(305)**	(496)
Amortisation of intangible assets	**–**	–	**(85,220)**	(198,065)	**(9,800)**	–	**–**	–	**–**	–	**(95,020)**	(198,065)
Impairment loss recognised in respect of goodwill	**–**	–	**–**	–	**–**	(4,508)	**–**	–	**–**	–	**–**	(4,508)
Impairment loss on other receivables	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(3,600)	**–**	(3,600)
Impairment loss on trade receivables	**(276,380)**	(401,546)	**–**	(232,858)	**(343)**	–	**–**	–	**(121)**	–	**(276,844)**	(634,404)
Impairment loss on available-for-sale financial assets	**–**	–	**–**	–	**–**	–	**–**	–	**(3,707)**	(74,152)	**(3,707)**	(74,152)
Impairment loss on intangible assets	**(203,904)**	(120,574)	**(177,508)**	(509,773)	**–**	–	**–**	–	**–**	–	**(381,412)**	(630,347)

8. SEGMENT INFORMATION (Continued)

Revenue from major products and services

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

	2012 HK$'000	2011 HK$'000
Trading of Security & Biometric Products		
Consumer products	**18,239**	163,238
Enterprise products	**976,965**	1,021,250
Solutions Projects and Services		
Biometric application	**11**	173,569
RFID solutions	**565**	22,991
Internet & Mobile's Application & Related Accessories	**22,776**	4,240
Commodities Trading	**4,069**	—
	1,022,625	1,385,288

Geographical information

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

	Turnover		Segment results	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Southeast Asia	**1,019,272**	1,172,772	**(641,726)**	218,456
Middle East	**3,353**	207,721	**(264)**	33,069
Others	**—**	4,795	**—**	2,048
	1,022,625	1,385,288	**(641,990)**	253,573

	Segment assets		Segment liabilities		Additions to non-current assets		Amortisation and deprecation	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Southeast Asia	**1,330,052**	3,032,507	**169,553**	159,722	**2,006**	68,209	**112,128**	221,652
Middle East	**538**	3,382	**2,629**	2,442	**—**	29	**174**	212
	1,330,590	3,035,889	**172,182**	162,164	**2,006**	68,238	**112,302**	221,864

8. SEGMENT INFORMATION (Continued)

Information about major customers

The Group's customer base includes 2 customers with whom transactions have individually exceeded 10% of the Group's revenue during the year ended 31 December 2012. No single customer contributed 10% or more to the Group's revenue for year ended 31 December 2011.

Revenue from major customers amounted to 10% or more of the Group's revenue, are set out below:

	2012 HK$'000	2011 HK$'000
Customer A	213,497	—
Customer B	243,839	—
	457,336	—

9. OTHER REVENUE AND GAINS

	2012 HK$'000	2011 HK$'000
Other revenue		
Bank interest income	130	915
Rental income	2,358	4,009
Sundry income	465	747
	2,953	5,671
Other gains		
Gain arising on change in fair value of investment properties	2,770	5,311
Reversal of impairment loss on trade receivables	—	570
Gain on disposal of property, plant and equipment	—	355
Gain on disposal of prepaid lease payments	1,436	—
Reversal of provision for obsolete inventories	989	60
Gain on disposal of an associate	—	77
Foreign exchange gain	375	39,539
Gain/(loss) on disposal of subsidiaries	109	(14,029)
	5,679	31,883
Total	8,632	37,554

10. LOSS FROM OPERATIONS

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

	Notes	2012 HK$'000	2011 HK$'000
Depreciation			
— Owned assets		**16,851**	22,652
— Assets held under finance leases		**126**	651
	16	**16,977**	23,303
Cost of inventories sold		**1,664,615**	1,131,715
Amortisation of prepaid lease payments	18	**305**	496
Amortisation of intangible assets	20	**95,020**	198,065
Written-off of property, plant and equipment	16	**1,284**	4,097
Loss/(gain) on disposal of property, plant and equipment		**2,265**	(355)
Loss on disposal of investment properties		**2,311**	—
Impairment loss on trade receivables	25	**276,844**	634,404
Impairment loss on other receivables		**—**	3,600
Impairment loss on available-for-sale financial assets	21	**3,707**	74,152
Impairment loss on intangible assets	20	**381,412**	630,347
Impairment loss recognised in respect of goodwill	19	**—**	4,508
Provision for obsolete inventories	24	**207,762**	17,075
Foreign exchange gain		**(375)**	(39,559)
Auditors' remuneration			
— Audit services		**6,000**	6,000
— Other services		**1,000**	1,200
Research and development expenses		**—**	1,255
Operating lease rentals in respect of premises		**2,466**	10,406
Gross rental income from investment properties		**(2,358)**	(4,009)
— Direct operating expenses from investment properties that generated rental income during the year		**114**	114
Staff costs, including directors' remuneration	11	**13,151**	47,412

11. STAFF COSTS AND THE FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' and chief executive's remuneration

	Directors' fees		Salaries and bonus		Retirement scheme contribution		Employee share option benefits		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Acting chief executive officer										
Danny Chew Tean[3]	**—**	—	**600**	555	**—**	—	**—**	231	**600**	786
Chief executive officer and executive director:										
Dato' Lee Boon Han[1]	**—**	—	**—**	1,572	**—**	—	**—**	1,932	**—**	3,504
Executive directors:										
Ying Kan Man[2]	**—**	—	**—**	1,320	**—**	22	**—**	1,701	**—**	3,043
Chong Khing Chung[4]	**—**	—	**—**	752	**—**	—	**—**	1,082	**—**	1,834
Li Jinglong[5]	**180**	47	**—**	—	**—**	—	**—**	—	**180**	47
Zhang Ligong[6]	**180**	47	**—**	—	**—**	—	**—**	—	**180**	47
Chong Cha Hwa, Brandson[8]	**90**	—	**—**	—	**—**	—	**—**	—	**90**	—
Wong Zhongling[13]	**20**	—	**—**	—		—		—	**20**	—
	470	94	**—**	2,072	**—**	22	**—**	2,783	**470**	4,971
Non-executive directors:										
Raymond Chu Wai Man[7]	**480**	960	**—**	—	**—**	—	**—**	—	**480**	960
Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman	**340**	520	**—**			—		—	**340**	520
	820	1,480	**—**	—	**—**	—	**—**	—	**820**	1,480
Independent non-executive directors:										
Liu Kwok Bond[9]	**120**	240	**—**	—	**—**	—	**—**	371	**120**	611
Li Mow Ming Sonny[10]	**120**	240	**—**	—	**—**	—	**—**	371	**120**	611
Pieter Lambert Diaz Wattimena	**212**	240	**—**	—	**—**	—	**—**	—	**212**	240
Kwan King Wah[11]	**62**	—	**—**	—	**—**	—	**—**	—	**62**	—
Zeng Ming[12]	**60**	—	**—**	—				—	**60**	—
	574	720	**—**	—	**—**	—	**—**	742	**574**	1,462
	1,864	2,294	**600**	4,199	**—**	22	**—**	5,688	**2,464**	12,203

Notes:

1 Retired as executive director and ceased as chief executive officer on 10 June 2011
2 Resigned as executive director on 30 November 2011
3 Appointed on 15 July 2011
4 Resigned on 30 July 2011
5 Appointed on 27 September 2011
6 Appointed on 27 September 2011
7 Retired as non-executive director on 30 June 2012
8 Appointed on 1 July 2012 and resigned on 13 November 2012
9 Resigned on 1 July 2012
10 Resigned on 1 July 2012
11 Appointed on 27 August 2012
12 Appointed on 27 August 2012
13 Appointed on 13 November 2012

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:

	2012 HK$'000	2011 HK$'000
Salaries and bonus	**2,944**	9,026
Retirement scheme contribution	**—**	255
Employee share option benefits	**—**	7,428
	2,944	16,709

(c) Employee

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

	2012 HK$'000	2011 HK$'000
Wages, salaries and bonus	**9,114**	21,312
Retirement scheme contribution	**851**	2,164
Welfare	**242**	1,148
Employee share option benefits	**—**	6,079
	10,207	30,703

(d) Five highest paid individuals

The five highest paid individuals of the Group include three (2011: three) directors of the Company.

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

	2012 HK$'000	2011 HK$'000
Salaries and bonus	**1,900**	5,476
Retirement scheme contribution	**—**	34
Employee share option benefits	**—**	6,106
	1,900	11,616

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 is as follows:

	2012	2011
Nil–HK$1,000,000	5	—
HK$1,000,001–HK$2,000,000	—	3
HK$3,000,001–HK$4,000,000	—	2
	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

	2012 HK$'000	2011 HK$'000
Bank charges	184	236
Interests on interest-bearing borrowings and bank overdrafts wholly repayable within five years	2,261	3,931
Interests on interest-bearing borrowings and bank overdrafts wholly repayable over five years	1,322	1,847
Promissory note (note 36)	457	66
Interest on convertible note	560	—
Interest on obligations under finance leases	23	55
	4,807	6,135

13. INCOME TAX EXPENSE

	2012 HK$'000	2011 HK$'000
Current tax expense in respect of the current year:		
— Hong Kong	**1,208**	22
— PRC	**—**	588
— Malaysia	**—**	—
Over provision of tax in the prior years	**—**	(671)
	1,208	(61)
Deferred tax (expense)/income recognised in the current year (note 32)	**(962)**	1,152
	246	1,091

Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for the year.

Malaysia Income Tax is calculated at the statutory tax rate of 25% (2011: 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% (2011: 20%) for the year and the amount of chargeable income exceeding Malaysian Ringgit 500,000 is charged at the rate of 25% (2011: 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 2012 and 2011 can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2012 HK$'000	2011 HK$'000
Loss before taxation	**(1,845,842)**	(1,549,683)
Income tax expense calculated at 25% (2011: 25%)	**(461,461)**	(387,421)
Tax effect of recognised temporary difference	**(962)**	1,152
Tax effect of income not taxable for tax purposes	**(863)**	(32,376)
Over provision in prior years	**—**	(671)
Tax effect of expenses not deductible for tax purposes	**4,950**	25,821
Effect of different tax rates of subsidiaries operating in other jurisdictions	**244,508**	141,663
Effect of estimated tax losses not recognised	**214,074**	252,923
	246	1,091

14. LOSS PER SHARE

The calculation of basic loss per share for the year is based on the Group's loss attributable to owners of the Company of approximately HK$1,874,373,000 (2011: net loss HK$1,354,937,000) and the weighted average number of ordinary shares in issue during the year of 595,575,207 (2011: 418,360,952).

During the year ended 31 December 2012 and 31 December 2011, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options because the exercise price of those share options was higher than the average market price for shares for the year. And so the diluted loss per share for the year ended 31 December 2012 and 31 December 2011 were the same as the basic loss per share as there was no diluting event during the current year and prior year.

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:

	2012	2011
Basic loss per share		
Loss used in the calculation of basic loss per share	**HK$(1,874,373,000)**	HK$(1,354,937,000)
Weighted average number of ordinary shares for the purposes of basic loss per share	**595,575,207**	418,360,952
Diluted loss per share		
Loss used in the calculation of diluted loss per share	**HK$(1,874,373,000)**	HK$(1,354,937,000)
Weighted average number of ordinary shares for the purposes of diluted loss per share	**595,575,207**	418,360,952

The denominators used are the same as those detailed above for both basic and diluted loss per share.

15. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the year ended 31 December 2012 (2011: Nil).

For the year ended 31 December 2012

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	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$'000	Total HK$'000
Cost								
As at 1 January 2011	126,107	53,472	71,431	469	2,000	8,191	65,986	327,656
Additions	—	407	777	—	—	694	—	1,878
Written off	—	—	(6,444)	—	—	—	—	(6,444)
Disposal of subsidiary	—	(11)	(502)	—	—	(250)	—	(763)
Disposals	—	—	(337)	—	—	(4,021)	—	(4,358)
Exchange alignment	(3,155)	(719)	(1,108)	(13)	—	(191)	5	(5,181)
As at 31 December 2011 and 1 January 2012	122,952	53,149	63,817	456	2,000	4,423	65,991	312,788
Additions	—	519	93	—	—	1,394	—	2,006
Acquisition of subsidiary	—	42	153	—	—	—	—	195
Written off	—	(1,765)	(744)	—	—	—	—	(2,509)
Disposals	(4,740)	(161)	(2,369)	—	—	(537)	—	(7,807)
Exchange alignment	3,860	31	1,164	15	—	117	15	5,202
As at 31 December 2012	122,072	51,815	62,114	471	2,000	5,397	66,006	309,875
Accumulated depreciation								
As at 1 January 2011	3,265	12,307	36,431	160	2,000	4,900	61,015	120,078
Charge for the year	2,555	5,630	9,451	124	—	695	4,848	23,303
Written off	—	—	(2,347)	—	—	—	—	(2,347)
Disposal of subsidiary	—	(1)	(73)	—	—	(34)	—	(108)
Disposals	—	—	(141)	—	—	(3,308)	—	(3,449)
Exchange alignment	(180)	(112)	(400)	(10)	—	(28)	2	(728)
As at 31 December 2011 and 1 January 2012	5,640	17,824	42,921	274	2,000	2,225	65,865	136,749
Charge for the year	2,454	7,616	6,433	122	—	248	104	16,977
Acquisition of subsidiary	—	42	55	—	—	—	—	97
Written off	—	(679)	(546)	—	—	—	—	(1,225)
Disposal	(154)	(134)	(1,146)	—	—	(405)	—	(1,839)
Exchange alignment	199	12	973	10	—	101	8	1,303
As at 31 December 2012	8,139	24,681	48,690	406	2,000	2,169	65,977	152,062
Carrying amount								
As at 31 December 2012	**113,933**	**27,134**	**13,424**	**65**	**—**	**3,228**	**29**	**157,813**
As at 31 December 2011	117,312	35,325	20,896	182	—	2,198	126	176,039

The Group's land and buildings with a carrying amount of approximately HK$133,362,000 (2011: HK$131,708,000) were pledged to secure the interest-bearing borrowings of the Group as at 31 December 2012 and 2011.

As at 31 December 2012, the carrying amount of the Group's motor vehicles included an amount of approximately HK$425,000 (2011: HK$526,000) in respect of assets held under finance leases.

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company

	Furniture, fixtures and equipment HK$'000
Cost	
As at 1 January 2011, 31 December 2011 and 31 December 2012	4
Accumulated depreciation	
As at 1 January 2011	1
Charge for the year	1
As at 31 December 2011 and 1 January 2012	2
Charge for the year	1
As at 31 December 2012	3
Carrying amount	
As at 31 December 2012	**1**
As at 31 December 2011	2

17. INVESTMENT PROPERTIES

The Group

	2012 HK$'000	2011 HK$'000
Fair value		
As at the beginning of the year	**61,257**	53,188
Disposal	**(6,262)**	—
Gain arising on change in fair value	**2,770**	5,311
Exchange alignment	**—**	2,758
As at the end of the year	**57,765**	61,257

The investment properties of the Group were revalued at 31 December 2012 and 2011 on a basis of a valuation carried out on that date by independent property valuers which 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 approximately HK$2,770,000 (2011: HK$5,311,000) which has been recognised in the consolidated income statement.

17. INVESTMENT PROPERTIES (Continued)

The Group (Continued)

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

The Groups property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

Subsequent to the end of the reporting date, the Group entered into contracts of agreement to dispose of investment properties, detail is set out in the Company's announcement date on 6 February 2013.

18. PREPAID LEASE PAYMENTS

The Group

	2012 HK$'000	2011 HK$'000
Cost		
As at the beginning of the year	**34,791**	34,668
Disposal	**(14,767)**	—
Exchange alignment	**653**	123
As at the end of the year	**20,677**	34,791
Accumulated amortisation		
As at the beginning of the year	**1,385**	905
Amortisation during the year	**305**	496
Disposal	**(469)**	—
Exchange alignment	**27**	(16)
As at the end of the year	**1,248**	1,385
Carrying amount		
As at the end of the year	**19,429**	33,406

18. PREPAID LEASE PAYMENTS (Continued)

The Group (Continued)

	2012 HK$'000	2011 HK$'000
Land outside Hong Kong held on:		
— Leases of within 1 year	**208**	497
— Leases of later than 1 year and not later than 5 years	**832**	1,964
— Leases of later than 5 years	**18,389**	30,945
	19,429	33,406
Less: current portion	**(208)**	(497)
	19,221	32,909
Long term lease (i)	**19,429**	19,012
Medium term lease (ii)	**—**	14,394
	19,429	33,406

(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

	2012 HK$'000	2011 HK$'000
Cost		
As at beginning of the year	**154,479**	199,777
Additional amounts recognised from business combinations occurred during the year (note 38(b)(i), (ii))	**41,112**	20,905
Disposal	**(4,509)**	(67,371)
Exchange alignment	**4,214**	1,168
As at end of the year	**195,296**	154,479
Accumulated impairment losses		
As at the beginning of the year	**133,574**	146,201
Impairment loss recognised during the year (note a & b)	**—**	4,508
Disposal	**(4,509)**	(17,501)
Exchange alignment	**4,214**	366
As at end of the year	**133,279**	133,574
Carrying amount		
As at end of the year	**62,017**	20,905

19. GOODWILL (Continued)

The Group (Continued)

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

	2012	2011
	HK$'000	HK$'000
Hyperstore distribution of IT related products and security equipments	**—**	—
Computer accessories	**—**	—
Software development (note a)	**—**	—
Home business accessories (note b)	**20,905**	20,905
Provision of advertising and entertainment applications on mobile platforms (note c)	**41,112**	—
	62,017	20,905

The directors of the Company had assessed the recoverable amount of goodwill as at 31 December 2012 by reference to the valuations as at 31 December 2012 performed by an independent firm of qualified valuer.

Note:

(a) During the year ended 31 December 2011, the business related to Software developments has been ceased and will not generate further income. Total impairment loss of approximately HK$4,508,000 was recognised in respect of the goodwill by the Company to reduce its carrying amount to its recoverable amount.

In addition, the directors of the Company assessed the recoverable amount of this CGU by appointed the independent valuer, to perform valuation for this CGU as at 31 December 2011. The valuation of this CGU was prepared based on asset based approach.

19. GOODWILL (Continued)

The Group (Continued)

Note: (Continued)

(b) The directors of the Company has appointed an independent valuer to perform a business valuation on the CGU of Home business accessories containing goodwill which was acquired from the business combination during year ended 31 December 2011, as stated in note 38(b)(ii).

The directors of the Company has determined that there is no impairment on the goodwill arising from the acquisition of Home business accessories as the recoverable amount of Home business accessories (being the CGU to which the goodwill has been allocated) based on the valuation report is in excess of the aggregate carrying amounts of Home business accessories.

The recoverable amount of Home business accessories has been determined on the basis of value in use calculation and is based on certain key assumptions. The value in use calculation is based on cash flow projections prepared from financial budgets approved by the directors of the Company covering a 5-year period and a discount rate of 13.52% (2011: 13.62%). Cash flows beyond the 5-year period are extrapolated using a 3% (2011: 5%) growth rate and the growth rate does not exceed the average long-term growth rate for the industry.

The cash flow projections are prepared based on the expected gross margins determined based on past performance of Home business accessories and management's expectations for the market development. The discount rates was estimated using pre-tax rates that reflect current market assessments of the time value of money and the risk specific to the relevant CGUs in the market.

(c) The directors of the Company has appointed an independent valuer to perform a business valuation on the CGU of provision of advertising and entertainment applications on mobile platforms containing goodwill which was acquired from the business combination during year ended 31 December 2012, as stated in note 38(b)(i).

The directors of the Company has determined that there is no impairment on the goodwill arising from the acquisition of provision of advertising and entertainment applications on mobile platforms as the recoverable amount of provision of advertising and entertainment applications on mobile platforms (being the CGU to which the goodwill has been allocated) based on the valuation report is in excess of the aggregate carrying amounts of Home business accessories.

The recoverable amount of provision of advertising and entertainment applications on mobile platforms has been determined on the basis of value in use calculation and is based on certain key assumptions. The value in use calculation is based on cash flow projections prepared from financial budgets approved by the directors of the Company covering a 5-year period and a discount rate of 17.25%. Cash flows beyond the 5-year period are extrapolated using a 3% growth rate and the growth rate does not exceed the average long-term growth rate for the industry.

For the year ended 31 December 2012

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$'000	Mobile application software and technology HK$'000	Total HK$'000
Cost					
As at 1 January 2011	148	563,277	1,463,607	—	2,027,032
Additions	—	66,360	—	—	66,360
As at 31 December 2011 and 1 January 2012	148	629,637	1,463,607	—	2,093,392
Additions arising from acquisition of subsidiaries (note 38(b)(i))	—	—	—	98,000	98,000
Disposal of subsidiaries	—	—	(264,286)	—	(264,286)
As at 31 December 2012	148	629,637	1,199,321	98,000	1,927,106
Accumulated amortisation and impairment					
As at January 2011	148	87,209	710,991	—	798,348
Amortisation for the year	—	74,988	123,077	—	198,065
Impairment loss recognised during the year	—	808	629,539	—	630,347
As at 31 December 2011 and 1 January 2012	148	163,005	1,463,607	—	1,626,760
Amortisation for the year	—	85,220	—	9,800	95,020
Disposal of subsidiaries	—	—	(264,286)	—	(264,286)
Impairment loss recognised during the year	—	381,412	—	—	381,412
As at 31 December 2012	148	629,637	1,199,321	9,800	1,838,906
Carrying amount					
As at 31 December 2012	**—**	**—**	**—**	**88,200**	**88,200**
As at 31 December 2011	—	466,632	—	—	466,632

20. INTANGIBLE ASSETS (Continued)

The Group (Continued)

Amortisation charge of approximately HK$95,020,000 (2011: HK$198,065,000) for the year is included in administrative expenses in the consolidated income statement.

The intangible assets "logo", "product development and design", "contract rights" and "mobile applications software and technology" as above amortised over its estimated useful lives, which are 5, 5, 10 and 5 years respectively and were tested for impairment. An impairment loss of approximately HK$381,412,000 (2011: HK$630,347,000) on intangible assets "product development and design" and "contract rights" were recognised during the year ended 31 December 2012.

Impairment testing

The directors of the Company had assessed the recoverable amount of intangible assets as at 31 December 2012 and 31 December 2011 by reference to the valuations which were carried out by an independent valuer.

Contract right

During the year ended 31 December 2011, the subsidiaries of the Company have lost their supply contracts with their customers. The directors of the Company assess those contact no longer generating any income in the future, by reference to the valuation report performed by independent firms of qualified valuer, an impairment loss of approximately HK$629,539,000 was recognized.

Project development and design

During the year ended 31 December 2012, the directors of the Company assessed that the intangible assets for the product development and designs were outdated and will no longer generate future benefit to the Group. Therefore, an impairment loss of approximately HK$381,412,000 (2011: HK$808,000) was recognised.

The directors of the Company have determined the amount of impairment by reference to the value in use approach. The value in use calculation is based on cash flow projections prepared from financial budgets approved by the directors of the Company covering a 2 year period and a discount rate of 16.93%.

The cash flow projections are prepared based on the expected gross margins determined based on past performance of project development and design and management's expectations for the market development. The discount rate was estimated using market assessment of the time value of money and the risk specific to the relevant market.

Mobile application software and technology

The directors of the Company have determined that there is no impairment on the mobile application software and technology as the recoverable amount based on the valuation report is in excess of the aggregate carrying amounts.

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group

	2012 **HK$'000**	2011 HK$'000
Equity securities at cost:		
Unlisted outside Hong Kong (Note (a), (b) & (c))	**169,200**	169,200
Equity securities at fair value:		
Listed outside Hong Kong (Note (d))	**20**	5,070
	169,220	174,270
Impairment loss on unlisted equity securities outside Hong Kong	**(135,000)**	(131,293)
	34,220	42,977

At 31 December 2012, certain unlisted equity securities with carrying amount of approximately HK$34,200,000 (2011: HK$37,907,000) were stated at cost less 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.

The Company

	2012 **HK$'000**	2011 HK$'000
Equity securities at fair value:		
Listed outside Hong Kong (Note (d))	**20**	5,070

The Group and Company

For listed equity securities, the fair value as determined based on the quoted market bid prices available on the relevant stock exchange and the industry group.

Note:

(a) As at 31 December 2012 and 2011, 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 is involved in provision of exclusive information technology and business processes outsourcing and consultancy services.

(b) As at 31 December 2012 and 2011, the Group held 6.0% of the equity interest of Hero View Limited ("Hero View"), a company incorporated in the British Virgin Islands which is involved in provision of manufacturer of fructose in PRC.

(c) As at 31 December 2012 and 2011, the Group held 3.0% of the equity interest of Xian Hui Investment Ltd ("Xian Hui"), a company incorporated in the British Virgin Islands which is involved in media advertising business.

(d) As at 31 December 2012 and 2011, the Group held 13,000,000 shares in Spartan Gold Limited ("Spartan"), which is a US based publicly traded company, listed on the Over the Counter Bulletin Board market (OTCBB) under the symbol of "SPAG". Spartan is a diversified junior gold exploration and mining company with gold exploration and development projects in Nevada and Alabama, United States.

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

The Group and Company (Continued)

Impairment testing

The directors of the Company has determined that an impairment of approximately HK$3,707,000 (2011: HK$74,152,000) was recognised to the consolidated income statement in respect of the A1 Development Inc. ("A1"). As its business have been ceased during the year and will not generate further income in the future from the cash flow projections, the carrying amounts of A1 has been reduced to its recoverable amounts.

The directors of the Company have also assessed the recoverable amount of A1 by reference to the business valuation performed by an independent valuer as at 31 December 2012 and 2011. The valuation of A1 was prepared based on asset based approach.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	2012 **HK$'000**	2011 HK$'000
Held for trading:		
Listed equity securities at Hong Kong	**3,732**	5,185

The fair value of listed securities in Hong Kong is determined based on quoted market bid prices available on the relevant stock exchanges.

23. INVESTMENTS IN SUBSIDIARIES

The Company

	2012 **HK$'000**	2011 HK$'000
Unlisted shares, at cost	**88,724**	24
Amounts due from subsidiaries	**1,935,881**	1,942,965
Less: Impairment loss recognised	**(1,287,119)**	(1,293,753)
	648,762	649,212
	737,486	649,236

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

For the year ended 31 December 2012 and 2011, the directors of the Company 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, approximated 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.

23. 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
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
RCG Investment Pte Limited	Singapore 4 May 2011	US$2	100%	Investment in financial assets
RCG (Hong Kong) Limited	Hong Kong 16 June 2006	HK$1	100%	Biometric and security solutions
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 (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
*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
Tag Station MSC Sdn. Bhd.	Malaysia 22 January 2009	RM5,000,010	100%	Research, 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
Briliant Easy Limited	BVI 2 June 2011	US$100	60%	Investment holding
Han Technology Company Limited	Hong Kong 9 April 2005	HK$10	60%	Trading of sensor, transistor and accessories
Most Ideas Limited	BVI 3 January 2012	US$50,000	55%	Investment holding
MG Interactive Limited	Hong Kong 21 June 2006	HK$1,000	55%	Development of Internet and web software
MG Interactive Entertainment Limited	Hong Kong 6 March 2007	HK$980,000	55%	Development of Internet and web software

* Wholly-owned foreign enterprises in the PRC.

24. INVENTORIES

The Group

	2012 **HK$'000**	2011 HK$'000
Raw materials	**597,717**	636,691
Finished goods and goods for sale	**16,289**	44,416
	614,006	681,107
Less: Provision for obsolete inventories	**(227,680)**	(21,643)
	386,326	659,464

The directors of the Company has assessed the net realisable values and condition of the Group's inventories as at 31 December 2012 and have considered a write-down of obsolete inventories approximately HK$207,762,000 (2011: HK$17,075,000) be made.

During the year ended 31 December 2012, there were sales with respect to written down inventories provided for in 2011. As a result, a reversal of written down inventories of approximately HK$989,000 (2011: HK$60,000) has been recognised and included in cost of sales in the current year.

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

25. TRADE RECEIVABLES

The Group

	2012 **HK$'000**	2011 HK$'000
0–30 days	**196,564**	232,320
31–60 days	**121,744**	249
61–90 days	**30,728**	19,002
91–180 days	**79,020**	150,223
Over 180 days	**772,521**	1,112,195
	1,200,577	1,513,989
Impairment loss on trade receivables	**(741,600)**	(647,410)
	458,977	866,579

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$119,211,000 (2011: HK$474,320,000) which were past due at the end of the reporting period. In the opinion of the directors of the Company, the amounts were still considered recoverable. The Group does not hold any collateral over these balances.

25. TRADE RECEIVABLES (Continued)

The Group (Continued)

Age of receivables that are past due but not impaired

	2012 HK$'000	2011 HK$'000
Over 180 days	**119,211**	474,320

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 end of the reporting period. 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

	2012 HK$'000	2011 HK$'000
Balance at beginning of the year	**647,410**	94,630
Impairment losses recognised on trade receivables	**276,844**	634,404
Impairment losses reversed	**—**	(570)
Disposal of subsidiaries	**(192,283)**	(68,184)
Amounts written off during the year as uncollectible	**(2,697)**	(2,315)
Exchange alignment	**12,326**	(10,555)
Balance at end of the year	**741,600**	647,410

For the year ended 31 December 2012 and 2011, the directors of the Company assessed the recoverable amounts of trade receivables, recognised specific impairment losses on trade receivables of approximately HK$276,844,000 (2011: HK$634,404,000) had been pursued through legal means. The Group does not hold any collateral over these balances.

Age of impaired trade receivables

	2012 HK$'000	2011 HK$'000
0–30 days	**—**	—
31–60 days	**7**	31
61–90 days	**13,129**	—
91–180 days	**29,261**	9,504
Over 180 days	**699,203**	637,875
	741,600	647,410

26. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade deposits	**—**	613,974	**—**	—
Prepayments and other deposits	**2,491**	3,624	**214**	216
Other receivables	**2,506**	4,132	**—**	—
	4,997	621,730	**214**	216

In determining the recoverability of other receivables, the Group considers any change in the credit quality of the receivable from the date credit was initially granted up to the end of the reporting period. Accordingly, the directors of the Company believe that there is no further credit provision required in excess of the impairment of other receivables.

For the year ended 31 December 2012, the directors of the Company had assessed the recoverable amount of other receivables and consider the amount are full recoverable and no further impairment is required to make during the reporting period. For the year ended 31 December 2011, the directors of the Company considered that approximately HK$3,600,000 as not recoverable and an impairment of HK$3,600,000 was recognised during the year end 31 December 2011.

27. CASH AT BANK AND ON HAND

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and on hand	**28,202**	52,683	**—**	13
Less: Pledged bank deposits	**—**	(3,000)	**—**	—
Fixed deposits	**(177)**	(21,754)	**—**	—
Cash and cash equivalents	**28,025**	27,929	**—**	13

The Group's did not have bank deposits and fixed deposits of (2011: HK$24,754,000) were pledged to secure the interest-bearing borrowings of the Group as at 31 December 2012.

The Group's fixed deposit approximately HK$177,000 were held as security for issue financial guarantee for due performance under serval contracts.

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

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
British Pounds	**4**	4	**—**	—
Malaysian Ringgit	**11,494**	45,427	**—**	—
US Dollars	**180**	140	**—**	1
Renminbi	**11,679**	1,189	**—**	—
United Arab Emirates Dirham	**75**	309	**—**	—
Thai Baht	**—**	156	**—**	—

27. CASH AT BANK AND ON HAND (Continued)

Included in cash at bank and on hand of the Group, Renminbi is not a freely convertible currency. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Fixed deposits are made for varying periods of depending on the immediate cash requirements of the Group, and earn interest at the respective fixed deposit rates. The bank cash at bank and are deposited with creditworthy banks with no recent history of default.

28. SHARE CAPITAL

The Group and the Company

		Number of shares issued		Par value	
		2012	2011	**2012**	2011
	Notes			**HK$'000**	HK$'000
Authorised:					
Ordinary shares of HK$0.01 each		**9,000,000,000**	9,000,000,000	**90,000**	90,000
Issued and fully paid:					
At beginning of the year		**493,223,555**	301,473,555	**4,932**	3,015
Conversion of convertible note	(vi)	**104,352,941**	—	**1,044**	—
Issue of shares upon Subscription	(i) (ii) (iii)	**—**	41,050,000	**—**	410
Exercise of share options		**—**	—	**—**	—
Placing of shares	(iv) (v)	**—**	150,700,000	**—**	1,507
At end of the year		**597,576,496**	493,223,555	**5,976**	4,932

The following movements in the Company's authorised and issued share capital took place during the period from 1 January 2011 to 31 December 2012:

(i) Pursuant to the subscription agreement dated 4 January 2011, the Company allotted and issued an aggregate of 6,450,000 shares of HK$0.01 each to an independent subscriber at a price HK$3.10 (25.77 pence) per share on 7 January 2011.

(ii) On 11 January 2011, the Group acquired 6.10% of the entire issued share capital of Spartan Gold Limited ("SPAG") for an aggregated consideration of approximately HK$54,912,000, which was satisfied by the allotment and issue of 15,600,000 ordinary shares of the Company on 14 January 2011 as fully paid.

(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 HK$2.50 (19.84 pence) per share on 24 February 2011.

28. SHARE CAPITAL (Continued)

The Group and the Company (Continued)

(iv) On 27 May 2011, the Company allotted and issued an aggregate of 68,500,000 shares by way of placing to independent investors at a price of HK$1.45 (11.41 pence) per share.

(v) On 13 July 2011, the Company allotted and issued an aggregate of 82,200,000 shares by way of placing to independent investors at a price of HK$1.00 (8.03 pence) per share.

(vi) On 31 August 2012, the Company issued 104,352,941 ordinary shares of HK$0.01 each in the share of the Company upon the exercise of Conversion Rights of Convertible Note.

29. RESERVES

The Group

The amounts of the Group's reserve and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity to the consolidated financial statements.

The Company

	Share Premium HK$'000 (Note a)	Employee share-based compensation reserve HK$'000 (Note b)	Capital reserve HK$'000 (Note c)	Available-for-sale securities revaluation reserve HK$'000	Convertible note reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2011	1,767,640	31,845	8,877	—	—	(1,411,608)	396,754
Loss for the year	—	—	—	—	—	(22,310)	(22,310)
Other comprehensive loss for the year	—	—	—	(34,242)	—	—	(34,242)
Total comprehensive loss for the year	—	—	—	(34,242)	—	(22,310)	(56,552)
Issue of shares upon subscription	106,397	—	—	—	—	—	106,397
Share-based payment	—	13,507	—	—	—	—	13,507
Lapse of share options	—	(24,191)	—	—	—	24,191	—
Placing of shares	180,018	—	—	—	—	—	180,018
Shares issuing expenses	(2,981)	—	—	—	—	—	(2,981)
As at 31 December 2011 and 1 January 2012	2,051,074	21,161	8,877	(34,242)	—	(1,409,727)	637,143
Loss for the year	—	—	—	—	—	(10,451)	(10,451)
Other comprehensive loss for the year	—	—	—	(5,050)	—	—	(5,050)
Total comprehensive loss for the year	—	—	—	(5,050)	—	(10,451)	(15,501)
Acquisition of subsidiaries	—	—	—	—	4,162	—	4,162
Deferred tax of convertible note issue for acquisition of a subsidiary	—	—	—	—	(687)	—	(687)
Lapse of share options	—	(12,381)	—	—	—	12,381	—
Conversion of convertible note	87,853	—	—	—	(3,475)	—	84,378
As at 31 December 2012	**2,138,927**	**8,780**	**8,877**	**(39,292)**	**—**	**(1,407,797)**	**709,495**

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 2012 was HK$743,112,000 (2011: HK$641,347,000).

(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.

(d) **Profit attributable to owners of the Company.**

For the year ended 31 December 2012, net profit of HK$1,531,000 (2011: net loss HK$22,310,000) has been dealt with in the financial statements of the Company.

30. INTEREST-BEARING BORROWINGS

The Group

	2012 HK$'000	2011 HK$'000
Within one year	**4,685**	32,611
In the second to fifth years	**14,056**	23,088
Over fifth years	**28,279**	21,535
Total bank borrowings	**47,020**	77,234

Summary of borrowing arrangements

The bank borrowings bear interest at rates of 5.20% (2011: 1.83% to 6.89%) per annum.

As at 31 December 2012, the Malaysian Ringgit bank borrowings of approximately HK$47,020,000 (2011: HK$74,517,000) were secured by the Group's buildings in Malaysia with carrying values of approximately HK$113,933,000 (2011: HK$112,696,000); land in Malaysia with a net book value of approximately HK$19,429,000 (2011: HK$19,012,000) and no bank deposits (2011: HK$21,754,000) was pledged to secure the bank borrowings.

As at 31 December 2011, the RMB bank borrowing HK$2,717,000 were secured by bank deposit of approximately HK$3,000,000.

31. OBLIGATIONS UNDER FINANCE LEASES

Leasing arrangements

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 4 years (2011: 5 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 2.11% (2011: 2.11%) per annum.

The Group

	Minimum lease payments		Present value of minimum lease payments	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**174**	98	**174**	98
In the second to fifth years inclusive	**106**	227	**70**	223
	280	325	**244**	321
Less: Future finance charges	**(36)**	(4)	**—**	—
Present value of finance leases	**244**	321	**244**	321
Less: Amount shown under current liabilities			**(70)**	(98)
Amount shown under non-current liabilities			**174**	223

32. DEFERRED TAX LIABILITIES

The Group

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

	Intangible asset HK$'000	Fair value adjustment arising from valuation of investment properties HK$'000	Accelerated tax depreciation HK$'000	Convertible Note HK$'000	Total HK$'000
As at 1 January 2011	—	503	739	—	1,242
Debit/(credit) to consolidated income statement (note 13)	—	1,328	(176)	—	1,152
Exchange alignment	—	45	13	—	58
As at 31 December 2011 and 1 January 2012	—	1,876	576	—	2,452
Acquisition of subsidiary	16,170	—	—	—	16,170
Recognised directly in equity	—	—	—	687	687
(Credit)/Debit to consolidated income statement (note 13)	(1,617)	548	145	(38)	(962)
Conversion of Convertible Note	—	—	—	(649)	(649)
As at 31 December 2012	**14,553**	**2,424**	**721**	**—**	**17,698**

33. TRADE PAYABLES

The Group

	2012 HK$'000	2011 HK$'000
0–30 days	**6,999**	502
31–60 days	**1,702**	108
61–90 days	**14**	580
Over 90 days	**12,276**	12,027
	20,991	13,217

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	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accruals	**21,350**	10,112	**15,243**	7,867
Financial guarantee provision	**—**	—	**24**	24
Other payables	**53,467**	48,785	**3,522**	4,128
	74,817	58,897	**18,789**	12,019

35. INTERESTS IN ASSOCIATES

The Group

	2012	2011
	HK$'000	HK$'000
Cost of investment in an associate, unlisted	**28,977**	28,977
Share of post-acquisition (loss)/profits	**(65)**	55
	28,912	29,032

During the year ended 31 December 2011, the Group acquired a 15% interest in RCG Xcess Sdn Bhd ("RCG Xcess") and a 25% interest in I-Century Limited from independent third parties for consideration of approximately HK$77,000 and HK$28,977,000 respectively. The consideration amount of HK$28,977,000 represents HK$19,000,000 in cash and promissory note issued at completion date fair value at approximately HK$9,977,000 (note 36).

The directors of the Company were of the opinion that the Group was able to exert significant influence over RCG Xcess and I-Century Limited.

In August 2011, the Company entered into a conditional sale and purchase agreement with an independent third party relating to the disposal of 15% equity interest in RCG Xcess at a consideration of approximately HK$77,000 (equivalent to RM30,000). The consideration was satisfied in cash. RCG Xcess was principally engaged in the business of banking equipment and other related products. The disposal was completed in August 2011. The transaction has resulted in the recognition of a gain on disposal of an associate in income statement and calculated as follows:

	HK$'000
Fair value of investment as at acquisition date	77
Share of post-acquisition losses up to disposal date	(77)
Fair value of investment retained	—
Consideration received	77
Gain on disposal of an associate	77

35. INTERESTS IN ASSOCIATES (Continued)

The Group (Continued)

Subsequent to the end of reporting date, the Group entered into an agreement to sold I-Century Limited, detail of the transaction is set out in the Company's announcement dated 27 March 2012.

Summary financial information of an associate at 31 December 2012

	Assets HK$'000	Liabilities HK$'000	Equity HK$'000	Revenue HK$'000	Loss HK$'000
100 per cent	**1,197**	**(1,194)**	**3**	**1,866**	**(478)**
Group's effective interest	**299**	**(298)**	**1**	**467**	**(120)**

Summary financial information of an associate at 31 December 2011

	Assets HK$'000	Liabilities HK$'000	Equity HK$'000	Revenue HK$'000	Loss HK$'000
100 per cent	1,177	(695)	482	490	(1,229)
Group's effective interest	294	(174)	120	123	(21)

Details of the Group's associate at the end of the reporting period are as follows.

Name of associate	Principal activity	Place of incorporation	Place of operation	Proportion of ownership interest and voting power held by the Group	
				31/12/12	31/12/11
I-Century Limited	Investment holding	British Virgin Islands	Hong Kong	**25%**	25%

36. PROMISSORY NOTE

The Group

On 15 November 2011, the Company issued a promissory note (the "Promissory Note") in a principal amount of HK$10,000,000 due on 15 November 2012. The Promissory Note was issued for acquiring the 25% shareholding interests in I-Century Limited and bear interest at 5% per annum, payable annually in arrears. The effective interest rate is 5.23%.

As at 15 November 2012, the holder of Promissory Note agrees the Group to extend the payment. On 27 March 2013, the principal amount of HK$10,000,000 due on 15 November 2012 was cancelled by the holder of Promissory Note which will be part of the consideration for the Group to dispose I-Century to the holder of Promissory Note.

	HK$'000
At 1 January 2011	—
Fair value of promissory note (note)	9,977
Interest expenses (note 12)	66
At 31 December 2011 and 1 January 2012	10,043
Interest expenses (note 12)	457
At 31 December 2012	**10,500**

36. PROMISSORY NOTE (Continued)

The Group (Continued)

Note:

The fair value of the promissory note issued has been arrived on the basis of a valuation carried out on the completion date of the acquisition by Ample Appraisal Limited, an independent professional valuer. The valuation was arrived at by reference to discount cash flow approach.

37. AMOUNTS DUE TO SUBSIDIARIES

The Company

The amounts due to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

38. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposal of subsidiaries

(i) For the year ended 31 December 2012, the Company's subsidiary, RCG China Holdings Limited entered into sale and purchase agreements with independent third parties to dispose of Strong Aim Limited ("Strong Aim") and Stepfull Limited ("Stepfull").

Details of the aggregate assets and liabilities disposed of, and the calculation of the gain on disposal are disclosed below:

Consideration received

	HK$'000
For the year ended 31 December 2012	
Cash consideration received	3

Analysis of aggregate assets and liabilities

	HK$'000
Intangible assets	–
Goodwill	–
Trade receivable	–
Cash and bank balance	3
Accruals and other payables	(18)
Net liabilities disposed of	(15)
Non-controlling interests	37
The Group's share of net assets	22

38. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(a) Disposal of subsidiaries (Continued)

(i) (Continued)

Gain on disposal of subsidiaries

	HK$'000
Release of goodwill	–
Release of intangible assets	–
Reclassification adjustment of the cumulative exchange gain on the translation of the disposal from its functional currency to HK$ upon disposal	128
Cash consideration received	3
Net assets disposed of	(22)
Gain on disposal of subsidiaries	109

Net Cash flow on disposal of subsidiaries

	HK$'000
Cash consideration received	3
Cash and cash equivalents balance disposed of	(3)
	–

(ii) Skycomp Technology Sdn Bhd ("Skycomp"), UCH Technology Sdn Bhd ("UCH"), E-ctasia Technology Sdn Bhd ("ECT"), Towards Soft Technology Sdn Bhd ("Towards Soft"), Virtual Storage Center Sdn Bhd ("VSC"), RCG Network Sdn Bhd ("Network"), Chance Best Technology Ltd. ("CBT"), Vast Base Technology Ltd. ("VBT") and RCG Solutions Sdn Bhd ("Solutions").

For the year ended 31 December 2011, the Company's subsidiaries, RCG International Holdings Limited, RCG (Malaysia) Sdn. Bhd. and RCG China Holdings Limited entered into sale agreements with independent third parties to dispose of Skycomp, UCH, ECT, Towards Soft, VSC, Network, Solutions, CBT and VBT.

Details of the aggregate assets and liabilities disposed of, and the calculation of the loss on disposal, are disclosed below.

Consideration received

	HK$'000
For the year ended 31 December 2011	
Cash consideration received	7,289

38. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(a) Disposal of subsidiaries (Continued)

(ii) (Continued)

Analysis of aggregate assets and liabilities

	HK$'000
Property, plant and equipment	655
Trade receivables	52,939
Inventories	10,833
Prepayments, deposits and other receivables	6,313
Amount due from the Group	83,059
Cash and cash equivalents	6,037
Trade payables	(60,378)
Accruals and other payables	(10,681)
Obligation under finance leases	(87)
Tax recoverable	643
Net assets disposed of	89,333
Non-controlling interest	(2,361)
The Group's share of net assets	86,972

Loss an disposal of subsidiaries

	HK$'000
Amount due from the Group assigned to the purchaser	83,059
Release of goodwill	(49,870)
Reclassification adjustment of the cumulative exchange gain on translation of the disposal from its functional currency to HK$ upon disposal	32,465
Consideration received	7,289
Net assets disposal of	(86,972)
Loss on disposal of subsidiaries	(14,029)

Net cash inflow on disposal of subsidiaries

	HK$'000
Consideration received	7,289
Less: cash and cash equivalent balances disposed of	(6,037)
	1,252

38. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Acquisitions of subsidiaries

(i) During the year ended 31 December 2012, the Group had acquired 55% of the entire issued share capital of Most Ideas Limited (the "Most Ideas"), for Convertible Note of approximately HK$88,700,000.

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

	Acquiree's carrying amounts before combination HK$'000	Fair value adjustments HK$'000	Fair value HK$'000
Property, plant and equipment	98	—	98
Trade receivables	7,177	—	7,177
Intangible assets	—	98,000	98,000
Deposits, prepayments and other receivables	195	—	195
Cash at bank and on hand	2,051	—	2,051
Trade payables	(209)	—	(209)
Accruals and other payables	(4,169)	—	(4,169)
Tax payables	(449)	—	(449)
Deferred taxation	—	(16,170)	(16,170)
Net assets acquired	4,694	81,830	86,524
Non-controlling interests			(38,936)
Goodwill			41,112
Total consideration			88,700
Satisfied by:			
— Convertible Note			88,700
Net cash inflow arising on acquisition:			
— Cash and cash equivalents acquired			2,051

Acquisition-related costs of approximately HK$180,000 are included in the consolidated income statements.

Had the above acquisitions taken place at the beginning of the year ended 31 December 2012, the Group's turnover and loss for the year would have been approximately HK$107,202,000 and HK$1,872,342,000 respectively.

The directors of the Company consider there 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

38. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Acquisitions of subsidiaries (Continued)

(ii) During the year ended 31 December 2011, the Group had acquired 60% of the entire issued share capital of Brilliant Easy Limited ("Brilliant") principally engaged in trading of sensor, transistor and accessories, for an aggregate consideration of approximately HK$22,000,000 (the "Acquisition").

The directors of the Company determined that this acquisition should be accounted as business in accordance with IFRS 3 "Business Combination".

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
Trade receivables	4,457	—	4,457
Amounts due from directors	2,562	—	2,562
Cash at bank and on hand	2,047	—	2,047
Trade payables	(6,737)	—	(6,737)
Accruals and other payables	(149)	—	(149)
Provision for taxation	(355)	—	(355)
Net assets acquired			1,825
Non-controlling interests			(730)
Goodwill			20,905
Total consideration			22,000
Satisfied by:			
— Cash consideration			22,000
Net cash outflow arising on acquisition:			
— Cash consideration paid			22,000
— Cash and cash equivalent acquired			(2,047)
			19,953

Acquisition related cost of HK$120,000 are included in the consolidated income statements. Brilliant contributed loss of approximately HK$355,000 to the Group during the year ended 31 December 2011.

38. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Acquisitions of subsidiaries (Continued)

(ii) (Continued)

The directors of the Company consider there 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

Had the above acquisitions taken place at the beginning of the year ended 31 December 2011, the Group's turnover and loss for the year would have been approximately HK$1,397,768,000 and HK$1,354,234,000 respectively.

39. ACQUISITION OF ASSETS

During the year ended 31 December 2011, the Group acquired 54.5% of the entire issued share capital of Eramen Technology Limited ("Eramen"), for an aggregate consideration of approximately US$60,000 (the "Acquisition"). Major assets of Eramen are cash at bank and other receivables, the purpose of the Acquisition is for the Group to collaborate on the development and launch of its SIMCash Solution, a mobile phone based payment solution in future (the "future project") but the future project was in preliminary planning stage as at 31 December 2011 and as such, the Acquisition has been accounted for as acquisition of assets rather than businesses.

	HK$'000
Total consideration	468

The assets acquired and liabilities recognised at the date of the Acquisition are as follows:

	HK$'000
Cash at bank	776
Other receivables	187
Other payables	(257)
	706
Less: Non-controlling interest	(321)
Loss on acquisition of assets	83
	468

	HK$'000
Net cash inflow arising on acquisition:	
— Cash consideration paid	468
— Cash and cash equivalent acquired	(776)
	(308)

40. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	2012 HK$'000	2011 HK$'000
Financial assets		
Financial assets at fair value through profit or loss	**3,732**	5,185
Loan and receivables (including cash at bank and on hand)	**489,685**	1,537,368
Available-for-sale financial assets	**34,220**	42,977
Financial liabilities		
Amortised cost	**153,572**	159,712

The Company

	2012 HK$'000	2011 HK$'000
Financial assets		
Loan and receivables (including cash at bank and on hand)	**648,762**	649,225
Available-for-sale financial assets	**20**	5,070
Financial liabilities		
Amortised cost	**22,250**	12,462

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.

40. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk

The following tables detail the Group's remaining contractual maturity for its non-derivate financial liabilities as at 31 December 2012 and 31 December 2011. 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 interests and principal cash flows.

The Group

	Weighted average effective interest rate	Contractual undiscounted cash outflow 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 2012							
Trade payables	**—**	**20,991**	**—**	**—**	**—**	**20,991**	**20,991**
Accruals and other payables	**—**	**74,817**	**—**	**—**	**—**	**74,817**	**74,817**
Interest-bearing borrowings	**5.20%**	**7,742**	**7,742**	**23,226**	**19,652**	**58,362**	**47,020**
Promissory note	**5.23%**	**10,500**	**—**	**—**	**—**	**10,500**	**10,500**
Obligation under finance leases	**2.11%**	**174**	**70**	**36**	**—**	**280**	**244**
		114,224	**7,812**	**23,262**	**19,652**	**164,950**	**153,572**
As at 31 December 2011							
Trade payables	—	13,217	—	—	—	13,217	13,217
Accruals and other payables	—	58,897	—	—	—	58,897	58,897
Interest-bearing borrowings	4.61%	35,761	7,497	22,491	21,007	86,756	77,234
Promissory note	5.23%	10,500	—	—	—	10,500	10,043
Obligation under finance leases	2.11%	98	68	136	22	324	321
		118,473	7,565	22,627	21,029	169,694	159,712

The Company

	Weighted average effective interest rate	Contractual undiscounted cash outflow 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 2012							
Amounts due to subsidiaries	**—**	**3,461**	**—**	**—**	**—**	**3,461**	**3,461**
Accruals and other payables	**—**	**18,789**	**—**	**—**	**—**	**18,789**	**18,789**
		22,250	**—**	**—**	**—**	**22,250**	**22,250**
As at 31 December 2011							
Amounts due to subsidiaries	—	443	—	—	—	443	443
Accruals and other payables	—	12,019	—	—	—	12,019	12,019
		12,462	—	—	—	12,462	12,462

40. 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, Renminbi there are 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 of reporting period 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, 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.

	2012 **HK$'000**	2011 HK$'000
The Group		
Change of exchange difference		
Change of foreign currencies exchange rate by 5%:		
British Pounds	**1**	1
Malaysian Ringgit	**518**	2,271
US Dollars	**4**	7
Renminbi	**–**	59
Thai Baht	**–**	8

	2012 **HK$'000**	2011 HK$'000
The Company		
Change of exchange difference		
Change of foreign currencies exchange rate by 5%:		
US Dollars	**–**	1

Since US$ is pegged to HK$, the Group does not expect any significant movement in HK$/US$ exchange rate and this is excluded from the sensitivity analysis below. Management considered the exposure of US$ are insignificant. Management will monitor foreign exchange exposure to mitigate the foreign currency risk.

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.

40. FINANCIAL INSTRUMENTS (Continued)

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

Cash flow and fair value interest rate risk (Continued)

The table below analyses the effect on the Group's financial cost in the income statement arising from interest-bearing borrowings should the interest rate be changed.

	2012 **HK$'000**	2011 HK$'000
The Group		
Change of finance costs		
Change of interest rate by 0.5%	**18**	29

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

(c) Fair value estimation

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

— 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 amount less provision of impairment in 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 IFRS 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

40. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value estimation (Continued)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value:

The Group

	Level 1 HK$'000
As at 31 December 2012	
Financial assets at fair value through profit or loss:	
Listed equity securities at Hong Kong	**3,732**
Available-for-sales financial assets:	
Listed equity securities outside Hong Kong	**20**
	3,752
As at 31 December 2011	
Financial assets at fair value through profit or loss:	
Listed equity securities at Hong Kong	5,185
Available-for-sales financial assets:	
Listed equity securities outside Hong Kong	5,070
	10,255

The Company

	Level 1 HK$'000
As at 31 December 2012	
Available-for-sales financial assets:	
Listed equity securities outside Hong Kong	**20**
As at 31 December 2011	
Available-for-sales financial assets:	
Listed equity securities outside Hong Kong	**5,070**

There were no transfers between Level 1 and 2 and 3 for the year ended 31 December 2012 and 2011.

40. FINANCIAL INSTRUMENTS (Continued)

(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 2011.

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/(accumulated losses) and non-controlling interests as stated in consolidated statement of changes in equity).

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

	2012 **HK$'000**	2011 HK$'000
Debt (i)	**47,020**	77,234
Less: Cash at bank and on hand (note 27)	**(28,202)**	(52,683)
Net debt	**18,818**	24,551
Equity (ii)	**1,119,764**	2,902,644
Net debt to equity ratio	**1.68%**	0.85%

(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.

41. 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 25% of entire issued share capital of I-Century Limited, for an aggregate consideration of HK$28,977,000, HK$19,000,000 settled by cash, HK$9,977,000 settled by issue of promissory note.

— The Group granted share options to its directors and employees as part of the staff remuneration. No share based payment expenses were recognised during the year ended 31 December 2012 (2011: HK$13,507,000).

— During year ended 31 December 2012, the Group acquired 55% of the issued share capital of Most Idea Limited at a consideration HK$88,700,000, all of the consideration were satisfied by the issue of convertible notes (the "Convertible Note"), fore detail of the acquisition, please refer to note 38(b)(i).

42. FINANCING FACILITIES

The Group

	2012 HK$'000	2011 HK$'000
Secured bank borrowings facilities:		
Amount utilised	**47,020**	77,234
Amount unutilised	**—**	23,360
	47,020	100,594

As at 31 December 2011 the Group utilised Documentary Credit facilities amounting to approximately HK$25,361,000, secured bank deposits amounting to approximately HK$21,754,000. The Group did not have Documentary Credit facilities as at 31 December 2012.

43. CONTINGENT LIABILITIES

The Group

As at 31 December 2012, the Group had no contingent liabilities (2011: Nil).

The Company

The Company had acted as a guarantor of its subsidiaries to secure interest-bearing borrowings, which amounted to approximately HK$3,470,000 as at 31 December 2011.

The carrying amount of the financial guarantee contract recognised in the balance was approximately HK$24,000 (2011: HK$24,000) as at 31 December 2012. The financial guarantee contract was eliminated on consolidation.

The Company acted as a guarantor of its subsidiaries for issue financial guarantee for due performance under serval contracts.

44. OPERATING LEASE ARRANGEMENTS

The Group as lessee

Operating leases relate to leases of land and buildings with lease terms of between 1 and 2 years. The Group does not have an option to purchase the leased land and buildings at the expiry of the lease periods.

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

	Land and buildings	
	2012 HK$'000	2011 HK$'000
Within one year	**183**	1,084
Within two to five years	**122**	61
	305	1,145

44. OPERATING LEASE ARRANGEMENTS (Continued)

The Group as lessor

Operating leases relate 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 periods.

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-cancellable operating leases are receivable as follows:

	Land and buildings	
	2012	2011
	HK$'000	HK$'000
Within one year	**3,193**	1,662
Within two to five years	**6,535**	2,424
	9,728	4,086

45. COMMITMENTS FOR EXPENDITURE

The Group had entered into product development contracts and no capital commitment as at 31 December 2012 (2011: HK$Nil).

46. EMPLOYEE SHARE-BASED COMPENSATION RESERVE

	2012	2011
	HK$'000	HK$'000
As at the beginning of the year	**21,161**	31,845
Employee share option benefits	**—**	13,507
Exercise/cancellation/lapse of share options	**(12,381)**	(24,191)
As at the end of the year	**8,780**	21,161

(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 2010 at an exercise price of 10 pence and had a vesting period of 1 year.

46. EMPLOYEE SHARE-BASED COMPENSATION RESERVE (Continued)

(a) (Continued)

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 2009 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 2009 and 28 March 2017 at an exercise price of 136 pence and had a vesting period of 1 year.

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 3 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.

During the year ended 31 December 2012 and 2011, the Company had not granted any share options to staff.

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

46. EMPLOYEE SHARE-BASED COMPENSATION RESERVE (Continued)

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

	Post Listing Scheme				Share Option Scheme			
	2012		2011		2012		2011	
	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	**HK$8.21**	**2,250,000**	HK$8.21	6,215,000	**50.24p**	**2,835,000**	53.94p	4,135,000
Lapsed	**HK$8.21**	**(410,000)**	HK$8.21	(3,965,000)	**51.30p**	**(2,800,000)**	61.96p	(1,300,000)
Outstanding as at the end of the year	**HK$8.21**	**1,840,000**	HK$8.21	2,250,000	**34.5p**	**35,000**	50.24p	2,835,000

As at 31 December 2012, 1,840,000 (2011: 2,250,000) share options were outstanding with a weighted average exercise price of HK$8.21 (2011: HK$8.21) under the Post Listing Scheme and 35,000 (2011: 2,835,000) share options were outstanding with a weighted average exercise price of 34.5 pence (2011: 50.24 pence) under Share Option Scheme.

(c) As at 31 December 2012 and 31 December 2011, outstanding share options have the following remaining contractual lives and exercise prices:

	2012		2011	
Exercise price	**Remaining contractual life**	**Number of options**	Remaining contractual life	Number of options
Share Option Scheme				
34.50p	**–**	**–**	3.30 years	1,335,000
64.25p	**3.75 years**	**35,000**	4.75 years	1,500,000
	3.75 years	**35,000**	4.07 years	2,835,000
Post Listing Scheme				
HK$8.21	**7.30 years**	**1,840,000**	8.30 years	2,250,000

46. EMPLOYEE SHARE-BASED COMPENSATION RESERVE (Continued)

(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	HK$0.44	HK$2.67	HK$2.17	HK$4.80	HK$4.64
Variables:					
— 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 2010	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.

47. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these 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:

	2012 **HK$'000**	2011 HK$'000
Salaries and bonus	**2,944**	7,786
Retirement scheme contribution	**—**	255
Employee share option benefits	**—**	6,686
	2,944	14,727

(b) As at 31 December 2011, the Company acted as a guarantor of its subsidiaries to secure interest-bearing borrowings.

(c) During year ended 31 December 2011 purchase amount approximately HK$3,265,000 from a related company in which certain directors of the Company's subsidiary is the directors of the related company.

48. CONVERTIBLE NOTE

During year ended 31 December 2012, the Group acquired 55% of the issued share capital of Most Ideas at a consideration HK$88,700,000, all of the consideration were satisfied by the issue of convertible note (the "Convertible Note"), fore detail of the acquisition, please refer to note. The Convertible Note mature at the date falling 3 years from the date of issue of the Convertible Note. The holders to convert to ordinary shares at a conversion price of HK$0.85.

Conversion may occur from the issue of the Conversion Note to 3 years from the date of issue of the Convertible Note. The Convertible Note bear interest at 2% per annum and repayment at mature.

The Convertible Note contain two components: liability and equity components. The equity component is presented in equity heading 'convertible note reserve'. The effective interest rate of the liability component on initial recognition is 3.61% per annum.

At August 2012, the holders of the Convertible Note convert all the Convertible note into issued share of the Company.

	Liability component HK$'000	**Equity component** HK$'000
At 1 January 2012	—	—
Acquisition of subsidiaries	84,538	4,162
Deferred taxation for the Convertible Note issue	—	(687)
Imputed interest expenses charged	235	—
Conversion of Convertible Note	(84,773)	(3,475)
At 31 December 2012	—	—

49. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of reporting date, the Group entered into an agreement to sold I-Century Limited, detail of the transaction is set out in the Company's announcement dated 27 March 2012.

As at 15 November 2012, the holder of Promissory Note agrees the Group to extend the payment. On 27 March 2013, the principal amount of HK$10,000,000 due on 15 November 2012 was cancelled by the holder of Promissory Note which will be part of the consideration for the Group to dispose I-Century to the holder of Promissory Note.

Subsequent to the end of reporting date, the Group entered into contracts of agreement to dispose of investment properties, detail is set out in the Company's announcement dated on 6 February 2013.

Other than above, the Group does not have material events after the end of the reporting period.

50. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2013.

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
ISDX	RCG
HKSE	802

SHAREHOLDERS PROFILE (AS AT 31 DECEMBER 2012)

Shareholding (Shares)	Number of Shareholders
0–1,000	27
1,001–5,000	8
5,001–10,000	9
10,001–50,000	8
50,001–100,000	1
100,001–200,000	0
200,001–500,000	0
500,001 and above	3*

* Jersey Register is counted as one in this column

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)
2012				
April	7.375	5.625	5.800	6.938
May	5.800	4.425	5.875	5.141
June	7.875	5.375	5.675	6.438
July	5.625	5.000	5.125	5.222
August	5.125	4.375	4.525	4.750
September	4.480	1.325	1.575	3.308
October	2.175	0.850	1.800	1.427
November	1.850	1.135	1.250	1.370
December	3.625	0.995	3.425	1.874
2013				
January	4.250	3.275	4.100	3.714
February	4.225	3.780	4.225	4.109
March	4.350	2.250	2.250	3.546
April (up to and including the Latest Practicable Date)	2.500	2.250	2.500	2.444

SHARE PRICE (Continued)

HKSE

	High (HK$)	Low (HK$)	Month End (HK$)	Average Closing (HK$)
2012				
April	1.030	0.610	0.880	0.893
May	0.980	0.650	0.780	0.745
June	1.300	0.580	0.680	0.668
July	0.730	0.500	0.600	0.625
August	0.710	0.560	0.570	0.626
September	0.690	0.560	suspended	0.609
October	suspended	suspended	suspended	suspended
November	suspended	suspended	suspended	suspended
December	0.580	0.510	0.520	0.537
2013				
January	0.770	0.530	0.620	0.636
February	0.620	0.540	0.570	0.582
March	0.570	0.410	0.445	0.505
April (up to and including the Latest Practicable Date)	0.440	0.340	0.380	0.393

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The Register of Members of the Company will be closed from Tuesday, 25 June 2013 to Friday, 28 June 2013, both days inclusive, during which period no transfer of ordinary shares will be effected.

The 2013 AGM will be held at Lot 1, Jalan Teknologi 3/5, Taman Sains Selangor 1, Kota Damansara, Petaling Jaya, Selangor, Malaysia on 28 June 2013 at 4:30 p.m. (HK time). The notice of 2013 AGM together with a circular in respect of the Annual General Meeting and proxy forms have been dispatched to shareholders on 29 April 2013. 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 Registrars (Jersey) Limited
12 Castle Street
St Helier, Jersey
JE2 3RT

Hong Kong branch share registrar
Union Registrars Limited
18/F., Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai
Hong Kong

INVESTOR RELATIONS

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

Room 626–629, Corporation Park, 11 On Lai Street, Siu Lek Yuen, Sha Tin, New Territories, Hong Kong
ir@rcg.tv

WHERE MORE INFORMATION ABOUT RCG IS AVAILABLE

This Annual Report 2012, 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

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DIRECTORS

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Mr. Zhang Ligong
Mr. Wong Zhongling

Non-executive Director:

Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman

Independent Non-executive Directors:

Mr. Pieter Lambert Diaz Wattimena
Mr. Kwan King Wah
Mr. Zeng Min

COMPANY SECRETARY

Mr. Lo Wah Wai

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REGISTERED AUDITORS

HLB Hodgson Impey Cheng Limited
Chartered Accountants
Certified Public Accountants
31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
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 convened at 4:30 p.m. on 28 June 2013 (Hong Kong Time) at Lot 1, Jalan Teknologi 3/5, Taman Sains Selangor 1, Kota Damansara, Petaling Jaya, Selangor, Malaysia;
"AIM"	AIM, a market operated by the LSE;
"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;
"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;
"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 HKSE;
"Latest Practicable Date"	12 April 2013;
"LSE"	The London Stock Exchange plc;
"ISDX"	ICAP Securities & Derivatives Exchange Limited, a recognized Investment Exchange under the Financial Services and Markets Act 2000 (formerly PLUS Stock Exchange/PLUS-SX);
"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;
"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;
"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; and
"United States dollars" or "US$"	United States dollars, the lawful currency of the United States.

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;
"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.

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RCG

RCG Holdings Limited

宏霸數碼集團(控股)有限公司*