Annual Report 2013

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 and its subsidiaries, engaged in business of biometric and RFID products, Solutions services, internet and mobile application and related services and commodities trading.

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.

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Five Year Financial Summary

	For the year ended 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Turnover	**466,280**	1,022,625	1,385,288	3,025,919	2,450,162
(Loss)/profit for the year	**(942,124)**	(1,846,088)	(1,550,774)	(6,974)	644,919
Attributable to:					
Owners of the Company	**(935,625)**	(1,874,373)	(1,354,937)	72,859	636,048
Non-controlling interests	**(6,499)**	28,285	(195,837)	(79,833)	8,871
	(942,124)	(1,846,088)	(1,550,774)	(6,974)	644,919
Basic (loss)/earnings per share (note)	**HK$(1.33)**	HK$(3.15)	HK$(3.24)	HK$0.26	HK$2.52
Dividends per share	**—**	—	—	—	—

	As at 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**391,710**	1,330,590	3,035,889	4,699,812	4,240,670
Total liabilities	**(113,643)**	(172,182)	(162,164)	(463,189)	(357,317)
	278,067	1,158,408	2,873,725	4,236,623	3,883,353
Equity attributable to owners of the Company	**245,922**	1,119,764	2,902,644	4,054,626	3,701,737
Non-controlling interests	**32,145**	38,644	(28,919)	181,997	181,616
	278,067	1,158,408	2,873,725	4,236,623	3,883,353

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 2013 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

Dear Shareholders,

On behalf of the Board, I am pleased to present the Group's annual results for the year ended 31 December 2013, which consists of reporting on the activities, results and strategies of RCG.

BUSINESS ENVIRONMENT

The continued slow momentum in growth experienced in the global economy, especially the American and the Chinese economies, saw investors continue in a risk averse manner and readjusting their market confidence in all sectors, in particular the related Asian markets.

Against this economic climate, the Group will continue to reexamine its value propositions and focus on re-aligning its businesses to meet the challenges ahead.

FINANCIAL AND BUSINESS REVIEW

For the 2013 financial year, the Group reported total revenue of HK$466.3 million, which represents a reductions of 54.4% compared to the financial year of 2012. The key contributor to the Group in terms of turnover is the Commodity Trading Segment. Despite registering a net loss in its financials, the Group has recorded a slight improvement in financial performance.

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, 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.

Liu Wen
Chairman
28 March 2014

BUSINESS REVIEW

The financial year of 2013 saw a continuation of the Group's long term consolidation strategy. This has resulted in revenue for the year ended 2013 decreasing by 54.4%, compared to the same period in 2012.

Group revenue was HK$466.3 million for the year ended 31 December 2013 compared to HK$1,022.6 million for the same period in 2012, as a result of continuous consolidation of its business units. Gross margin for the financial year ended 31 December 2013 was –48.8%, compared to –62.8% for the same period in 2012 due to a number of factors, in particular the continuing pricing strategy adopted by the Company to remain competitive in its segment coupled with the sales of old stock at a discount to finance the current operations and projects of the Group. The Group reported a net loss of HK$942.1 million for the financial year ended 31 December 2013.

Performance of business segments

The Group is an 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 and Mobile Applications and of Related Accessories**" and "**Commodities Trading**".

The Group continues to believe that the "Internet of Mobile Application and Related Accessories" segment is 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 Android and Mass Advertising.

The Group's Trading of Security and Biometric Products segment consists of biometrics and RFID products for consumer applications. Whilst its Solutions, Projects and Services segment revolves around the delivery of developed software and equipments to enterprises.

The Group's Commodity Trading activities revolve around the trading of general commodities not limited to generally accepted common commodities like metal, ores, silks and so on. Trading is conducted on both open markets local and overseas; and also through private transactions.

Operating Segment	Year ended 31 December				y-o-y growth
	2013		2012		
	HK$ m	%	HK$ m	%	%
Trading & Security & Biometric Products	**152.6**	**32.7**	995.2	97.3	–84.7
Solution, Projects and Services	**0.5**	**0.1**	0.6	0.1	–16.7
Internet & Mobile Application & Related Accessories	**55.1**	**11.8**	22.7	2.2	142.7
Commodities Trading	**258.1**	**55.4**	4.1	0.4	6,195.1
Total Revenue	**466.3**	**100.0**	1,022.6	100.0	–54.4

The key contributor to the Group's turnover for the year ended 31 December 2013 was the Commodity Trading segment which contributed 55.4% of total turnover. Following that, revenue from the Trading of Security and Biometric Products segment in the financial year ended 31 December 2013 was HK$152.6 million. This segment experienced a 84.7% decrease compared to HK$995.2 million in the same period in 2012 due to, the continue reduction in distribution sales in this segment.

The Solutions, Projects and Services business segment experienced a 16.7% revenue decrease from HK$0.6 million in the financial year ended 31 December 2012 to HK$0.5 million in the financial year ended 31 December 2013. The decrease was attributable to the continuing evolution of the Group's strategy to continue to focus on long term projects, which have a longer completion period with steadier collection schedules.

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.

Geographical Segment	Year ended 30 June				HK$ y-o-y
	2013 (unaudited)		2012 (unaudited)		**growth**
	HK$ m	**%**	HK$ m	%	%
Southeast Asia	**465.7**	**99.9**	1,019.3	99.5	–54.3
Middle East	**0.6**	**0.1**	3.3	0.5	–81.8
Total Revenue	**466.3**	**100.0**	1,022.6	100.0	–54.4

Revenue generated in the Asia Pacific region decreased from HK$1,019.3 million for the financial year ended 31 December 2012 to HK$465.7 million for the financial year ended 31 December 2013. The majority of Asia Pacific revenue was derived from the Commodities Trading segment, which accounted for 55.4% of revenue reported.

Middle East revenues decreased 81.8% from HK$3.3 million for the financial year ended 31 December 2012 to HK$0.6 million for the financial year ended 31 December 2013.

Disposals

On 6 February 2013, the Board announced that during the period from 9 April 2012 to 6 February 2013, RCG China Limited ("RCG China"), 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, entered into the sale and purchase agreements with various purchasers pursuant to which RCG China agreed to sell and the purchasers agreed to purchase six office units located at No. 8 Haidian North Second Street, Zhong Guan Cun SOHO Zhong Guan Cun, Haidian District, Beijing, PRC, which were owned by the Group for an aggregate consideration of RMB39,404,350 (approximately HK$48,647,346).

On 27 March 2013, the Board announced that Sharp Asia International Limited ("Sharp Asia"), a wholly-owned subsidiary of the Company, entered into an agreement with Mr. Chow Yik pursuant to which the Sharp Asia agreed to sell and Mr. Chow Yik agreed to purchase the Group's 25% equity interest in I-Century Limited, a company incorporated in the British Virgin Islands with limited liabilities, for an aggregate consideration of HK$29,000,000.

On 21 May 2013, the Board announced that RCG China Holdings Limited ("RCG China Holdings"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with Mr. Liu Ling Hao pursuant to which the RCG China Holdings agreed to sell and Mr. Liu Ling Hao agreed to purchase the Group's 6% equity interest in Hero View Limited, a company incorporated in the British Virgin Islands with limited liabilities, for an aggregate consideration of HK$20,000,000.

On 10 September 2013, the Board announced that during the period from 6 February 2013 to 10 September 2013, RCG China entered into the sale and purchase agreements with various purchasers pursuant to which RCG China agreed to sell and the purchasers agreed to purchase four office units located at No. 8 Haidian North Second Street, Zhong Guan Cun SOHO Zhong Guan Cun, Haidian District, Beijing, PRC, which were owned by the Group for an aggregate consideration of RMB36,204,350 (approximately HK$45,828,291).

The Group had on 27 December 2013 entered into an agreement to dispose its 3% equity interest in Xian Hui Investments Limited for a consideration of HK$12,000,000.

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2013, the Group reported total revenue of HK$466.3 million representing a decrease of 54.4% compared to HK$1,022.6 million in 2012. The decrease was mainly due to the reduction in Trading of Security & Biometric Products sales, as part of the consolidation of the Group businesses.

Cost of sales

Cost of sales decreased 58.3% from HK$1,664.6 million in 2012 to HK$693.8 million in 2013. In terms of percentage of sales, the cost of sales decreased from 162.8% in 2012 to 149% in 2013.

Gross profit and gross profit margin

Gross loss in 2013 was HK$227.5 million, a decrease in gross losses of 64.6% compared to gross losses HK$642.0 million in 2012. The Group adjusted it pricing strategy in order to remain competitive and cleared, at a discount, non-current stock during the period under review, leading to a gross loss of 48.8% as compared to gross loss of 62.8% in 2012.

Other revenue and gains

Other revenue and gains reduced from HK$8.6 million in 2012 to HK$7.2 million in 2013 mainly attributable to a reduction in rental income following the property disposals and change in fair value of investment properties.

Administrative expenses

Administrative expenses decreased 51.1% from HK$161.5 million in 2012 to HK$79.0 million in 2013.

Selling and distribution costs

Selling and distribution costs decreased by 98.8% from HK$171.2 million in 2012 to HK$2.1 million in 2013.

Finance costs

Finance costs decreased from HK$4.8 million in 2012 to HK$3.8 million in 2013.

Loss before taxation

Loss before taxation for 2013 was HK$945.9 million, as compared to a loss before taxation of HK$1,845.8 million in 2012.

Taxation

Income tax expense decreased from expenses of HK$0.2 million in 2012 to credit of HK$3.8 million in 2013.

Loss for the year

The Group incurred a net loss of HK$942.1 million for the year ended 31 December 2013, compared to a net loss of HK$1,846.1 million in 2012.

Loss attributable to the owners of the Company

Loss attributable to the owners of the Company decreased from HK$1,874.4 million in 2012 to HK$935.6 million in 2013.

Loss attributable to the non-controlling interests

Loss attributable to the minority interests of HK$6.5 million is related to the minority interests' share of the loss of Most Idea Limited in 2013 of HK$7.1 million.

REVIEW OF THE GROUP'S FINANCIAL POSITION AS AT 31 DECEMBER 2013

Liquidity and capital resources

The Group funds its operations with sales revenue from its operating activities. The Group also has cash inflows from interest and rental 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$0.1 million during 2013 compared to HK$2.0 million in 2012. 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	
	2013	2012
	HK$'000	HK$'000
Purchase of property, plant and equipment	**23**	2,006

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	
	2013	2012
	HK$'000	HK$'000
Total bank borrowings, secured, repayable within one year	**9,240**	4,685
Total bank borrowings, secured, repayable more than one year	**30,289**	42,335
Total	**39,529**	47,020

The Group had cash and cash equivalents of HK$74.3 million as of 31 December 2013 compared to HK$28.2 million as of 31 December 2012.

Working Capital

Debtors and inventories have decreased by 96.8% and 100% in 2013 due principally to the reduction in sales and the disposal of non-current inventory. This is in line with the continued consolidation and realignment of the Group businesses.

Gearing ratio

As at 31 December 2013, the Group's gearing ratio was approximately 0.161x as compared to 0.041x as at 31 December 2012. The gearing ratio was calculated as the Group's total debt divided by its total capital. Debt of HK$39.7 million is calculated as total borrowings (including short-term bank loans amounting HK$9.3 million, the current portion of financing obligations amounting HK$0.1 million and long term bank loans amounting HK$30.3 million). Total capital is calculated as total shareholder equity of HK$245.9 million plus debt.

Contingent Liabilities

As at 31 December 2013, the Group had no outstanding contingent liabilities. There were also no contingent liabilities as 31 December 2012. The Company acted as a guarantor of its subsidiaries to secure interest-bearing borrowings, which amounted to approximately HK$0.2 million (2012: HK$0.2 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 2013, compared to HK$652,000 as at 31 December 2012. 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 2013, in addition to the Directors, there were around 41 employees (2012: 48) 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 2013 were HK$8.7 million, compared with HK$13.2 million in 2012. 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's continuous efforts to consolidate and realign its businesses have enabled the Group to achieve a preliminary improvement in its financial position. The Group will continue to work towards, attaining a stable platform for sustainability and growth, with the dedication of experienced leadership in a structure that provides a close focus on operations in each business segment.

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

On 30 May 2013, the Company entered into a placing agreement with Orient Securities Limited, pursuant to which the Company conditionally agreed to place, through the placing agent, up to a maximum of 98,600,000 new shares of the Company, on a best efforts basis to no fewer than six independent placees at a price of HK$0.355 per placing share. The placing was completed on 10 June 2013. An aggregate of 98,600,000 placing shares has been successfully placed to more than six placees at a price of HK$0.355 per placing share, raising gross proceeds of HK$35,003,000.

On 10 September 2013, the Company entered into a placing agreement with Tanrich Securities Company Limited, pursuant to which the Company conditionally agreed to place, through the placing agent, up to a maximum of 139,235,299 new shares of the Company, on a best efforts basis to no fewer than six independent placees at a price of HK$0.25 per placing share. The placing was completed on 26 September 2013. An aggregate of 139,230,000 placing shares has been successfully placed to more than six placees at a price of HK0.25 per placing share, raising gross proceeds of HK$34,807,500.

Details of the above transactions were published in the Company's announcements dated 30 May 2013 and 10 September 2013.

Save as disclosed herein, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year ended 31 December 2013.

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 2013.

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 5 to 9.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2013 are set out in the Consolidated Income Statement on page 36.

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 2013.

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 41 and note 29 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2013, the Company's reserves available for distribution amounted to approximately HK$75,734,000 (2012: approximately HK$731,130,000).

SHARE CAPITAL

Details of movements in the share capital during the year ended 31 December 2013 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 2013 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 66% of the Group's total sales for the year and sales to the Group's largest customer amounted to approximately 16%. Purchases from the Group's five largest suppliers accounted for approximately 83% to the Group's total purchases for the year and purchases from the Group's largest supplier amounted to approximately 28%.

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 2013.

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:

a) Mr. Li Jinglong has renewed the service agreement with the Company for a term of one year commencing from 27 September 2013 to 26 September 2014;

b) Mr. Zhang Ligong has renewed the service agreement with the Company for a term of one year commencing from 27 September 2013 to 26 September 2014;

c) Mr. Wang Zhongling has renewed the service agreement with the Company for a term of one year commencing from 13 November 2013 to 12 November 2014; and

d) Mr. Kwan King Wah and Mr. Zeng Min have renewed the appointment letters with the Company for a term of one year commencing from 27 August 2013 to 26 August 2014.

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.

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

As at 31 December 2013, none of the Directors or chief executives had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO; or as otherwise notified to the Company and the HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2013, the following persons or companies (other than the Directors and chief executives) had interest or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO and were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meeting of any other members of the Group as follows:

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	12.49%
Chan Chun Fai (Note 1)	Interest of controlled corporation	104,352,941	—	104,352,941	12.49%
Qin Chuhua (Note 1)	Interest of controlled corporation	104,352,941	—	104,352,941	12.49%
Yang Zhijian (Note 1)	Interest of controlled corporation	104,352,941	—	104,352,941	12.49%
Veron International Limited (Note 2)	Beneficial owner	65,662,832	—	65,662,832	7.86%
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	7.86%
Lam Hok Chung Rainier (Note 2)	Trustee	65,662,832	—	65,662,832	7.86%
Jong Yat Kit (Note 2)	Trustee	65,662,832	—	65,662,832	7.86%
Yu Sai Hung (Note 2)	Trustee	65,662,832	—	65,662,832	7.86%
The Offshore Group Holdings Limited (Note 3)	Beneficial owner	53,515,556	—	53,515,556	6.40%
Chan Chun Chuen (Note 3)	Interest of controlled corporation	53,515,556	—	53,515,556	6.40%
Tam Miu Ching (Note 3)	Spousal interest	53,515,556	—	53,515,556	6.40%

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 2013.

Save as disclosed above, no person (other than the Directors and chief executives, whose interests are set out in the paragraph headed "Directors and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures"), had an interest or short position in the shares or underlying shares of the Company as at 31 December 2013 that was required to be recorded pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

A share option scheme (the "Pre-listing Scheme") was adopted by the Company on 28 June 2004 and was amended on 7 June 2006. The Pre-listing Scheme had been terminated on 10 February 2009. A post listing share option scheme (the "Post Listing Scheme") was adopted by the Company on 16 October 2008. Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 28 June 2013, the Post Listing Scheme was terminated and a new share option scheme (the "New Share Option Scheme") was adopted. Summary of principal terms of the Pre-listing Scheme, Post Listing Scheme and New Share Option Scheme were outlined on next page.

Share Option Scheme

Movements of the share options granted under the Pre-listing Scheme and Post Listing Scheme during the year ended 31 December 2013 are as follows:

	Outstanding at 1 January 2013	Granted during the year ended 31 December 2013	Exercised during the year ended 31 December 2013	Lapsed during the year ended 31 December 2013	Cancelled during the year ended 31 December 2013	Outstanding at 31 December 2013	Date of grant	Vesting period	Exercisable period	Exercise price
Other employees										
In aggregate	35,000	–	–	35,000	–	–	20.04.2005	3 years	20.04.2008–19.04.2015	34.5p
	940,000	–	–	–	–	940,000	29.04.2010	–	29.04.2010–28.03.2017	HK$8.21
	900,000	–	–	780,000	–	120,000	29.04.2010	1 year	29.04.2011–28.04.2020	HK$8.21
Total	1,875,000	–	–	815,000	–	1,060,000				

Other than as disclosed above, no other share option was granted, cancelled, lapsed or exercised pursuant to the Pre-listing Scheme, Post Listing Scheme and New Share Option Scheme of the Company during the year ended 31 December 2013.

Summary of principal terms of the Pre-listing Scheme

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

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

The number of share that can be the subject of options granted under the Pre-listing 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 Pre-listing 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 Pre-listing 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 Pre-listing 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 Pre-listing 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 available for issue under the Post Listing Scheme shall be 980,000 shares, representing 0.11% 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 was terminated on 28 June 2013, after which period no further options will be offered or granted.

Summary of principal terms of the New Share Option Scheme

The purpose of the New 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 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 New Share Option Scheme. Participants of the New Share Option 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 available for issue under the New Share Option Scheme shall be 69,617,649 shares, representing 8.33% 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 New Share Option Scheme will be valid and effective for a period of ten years commencing on 28 June 2013, after which period no further options will be offered or granted.

During the year ended 31 December 2013 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

On 30 May 2013, the Company entered into a placing agreement with Orient Securities Limited, pursuant to which the Company conditionally agreed to place, through the placing agent, up to a maximum of 98,600,000 new shares of the Company, on a best efforts basis to no fewer than six independent placees at a price of HK$0.355 per placing share. The placing was completed on 10 June 2013. An aggregate of 98,600,000 placing shares has been successfully placed to more than six placees at a price of HK$0.355 per placing share, raising gross proceeds of HK$35,003,000.

On 10 September 2013, the Company entered into a placing agreement with Tanrich Securities Company Limited, pursuant to which the Company conditionally agreed to place, through the placing agent, up to a maximum of 139,235,299 new shares of the Company, on a best efforts basis to no fewer than six independent placees at a price of HK$0.25 per placing share. The placing was completed on 26 September 2013. An aggregate of 139,230,000 placing shares has been successfully placed to more than six placees at a price of HK0.25 per placing share, raising gross proceeds of HK$34,807,500.

Details of the above transactions were published in the Company's announcements dated 30 May 2013 and 10 September 2013.

Save as disclosed herein, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year ended 31 December 2013.

DISCLOSEABLE TRANSACTIONS

Disposals

On 6 February 2013, the Board announced that during the period from 9 April 2012 to 6 February 2013, RCG China Limited ("RCG China"), 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, entered into the sale and purchase agreements with various purchasers pursuant to which RCG China agreed to sell and the purchasers agreed to purchase six office units located at No. 8 Haidian North Second Street, Zhong Guan Cun SOHO Zhong Guan Cun, Haidian District, Beijing, PRC, which were owned by the Group for an aggregate consideration of RMB39,404,350 (approximately HK$48,647,346).

On 27 March 2013, the Board announced that Sharp Asia International Limited ("Sharp Asia"), a wholly-owned subsidiary of the Company, entered into an agreement with Mr. Chow Yik pursuant to which the Sharp Asia agreed to sell and Mr. Chow Yik agreed to purchase the Group's 25% equity interest in I-Century Limited, a company incorporated in the British Virgin Islands with limited liabilities, for an aggregate consideration of HK$29,000,000.

On 21 May 2013, the Board announced that RCG China Holdings Limited ("RCG China Holdings"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with Mr. Liu Ling Hao pursuant to which the RCG China Holdings agreed to sell and Mr. Liu Ling Hao agreed to purchase the Group's 6% equity interest in Hero View Limited, a company incorporated in the British Virgin Islands with limited liabilities, for an aggregate consideration of HK$20,000,000.

On 10 September 2013, the Board announced that during the period from 6 February 2013 to 10 September 2013, RCG China entered into the sale and purchase agreements with various purchasers pursuant to which RCG China agreed to sell and the purchasers agreed to purchase four office units located at No. 8 Haidian North Second Street, Zhong Guan Cun SOHO Zhong Guan Cun, Haidian District, Beijing, PRC, which were owned by the Group for an aggregate consideration of RMB36,204,350 (approximately HK$45,828,291).

The Group had on 27 December 2013 entered into an agreement to dispose its 3% equity interest in Xian Hui Investments Limited for a consideration of HK$12,000,000.

Details of the above transactions were published in the Company's announcements dated 6 February 2013, 27 March 2013, 3 May 2013, 21 May 2013 and 10 September 2013.

CONNECTED TRANSACTIONS

During the year, there was no connected transaction required to be reported.

EVENT AFTER THE YEAR END

Acquisition

On 13 March 2014, the Board announced that after trading hours, Bio Tag International Limited, a wholly-owned subsidiary of the Company (the "Purchaser") and Wealthy Zone Limited, a company incorporated in the British Virgin Islands with limited liabilities (the "Vendor") entered into the sale and purchase agreement, pursuant to which, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell, the 37,000 ordinary shares of US$1.00 each in Easy Ideas Limited, a company incorporated in the British Virgin Islands with limited liabilities (the "Target"), representing 74% of the issued share capital of the Target for a total consideration of HK$69,560,000 (approximately £5.4 million).

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.

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 19 to 26.

CHARITABLE CONTRIBUTIONS

During the year under review, the Group did not make charitable contribution (2012: Nil).

AUDITORS

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 AGM. 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 AGM.

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
Liu Wen
Chairman

28 March 2014

During the year ended 31 December 2013, 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 2013, except for the deviation from code provisions A.2.1 and A.5.1 which are explained in the paragraph headed "Chairman and Chief Executive Officer" 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 the Latest Practicable Date, there were six Board members consisting of three executive Directors and three independent non-executive Directors:

Executive Directors:
Li Jinglong
Zhang Ligong
Wang Zhongling *(Chief Executive Officer)*

Independent Non-executive Directors:
Liu Wen *(Chairman)*
Kwan King Wah
Zeng Min

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

Names of the Directors	Directors' Attendance
Executive Directors:	
Li Jinglong	4/4
Zhang Ligong	4/4
Wang Zhongling *(Chief Executive Officer)*	4/4
Non-executive Director:	
Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman *(Chairman)* (resigned on 19 July 2013)	2/2
Independent Non-executive Directors:	
Liu Wen *(Chairman)* (appointed on 7 March 2014)	0/0
Kwan King Wah	4/4
Zeng Min	4/4
Pieter Lambert Diaz Wattimena (resigned on 7 March 2014)	4/4

GENERAL MEETINGS

During the year under review, the Company convened an annual general meeting of the Company held on 28 June 2013. The attendance record is set out below:

Names of the Directors	Directors' Attendance
Executive Directors:	
Li Jinglong	1/1
Zhang Ligong	1/1
Wang Zhongling *(Chief Executive Officer)*	1/1
Non-executive Director:	
Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman *(Chairman)* (resigned on 19 July 2013)	1/1
Independent Non-executive Directors:	
Liu Wen *(Chairman)* (appointed on 7 March 2014)	0/0
Kwan King Wah	1/1
Zeng Min	1/1
Pieter Lambert Diaz Wattimena (resigned on 7 March 2014)	1/1

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 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. Liu Wen will retire and being eligible, put himself up for re-election at the forthcoming AGM.

In accordance with bye-law 87(1) of the 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. Zhang Ligong and Mr. Kwan King Wah will retire and will seek re-election at the forthcoming AGM.

BOARD MEETINGS AND BOARD PRACTICES

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

DELEGATION OF POWERS

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

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.

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 "A Guide on Directors' Duties" issued by Companies Registry. 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. Under code provision A.5.1 of the CG Code, the nomination committee should be chaired by the chairman of the board or an independent non-executive director.

On 19 July 2013, Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman resigned as the chairman of the Board and the chairman of nomination committee of the Company. Therefore, the Company deviated from code provisions A.2.1 and A.5.1 of the CG Code. On 1 November 2013, Mr. Wang Zhongling, an existing executive Director, was appointed as the acting chairman and acting chief executive officer of the Board. The Company has been complying with code provisions A.2.1 and A.5.1 of the CG Code since 7 March 2014 on which Mr. Wang Zhongling stepped down as acting chairman of the Board and Mr. Liu Wen was appointed as chairman of the Board and chairman of the nomination committee of the Company.

BOARD COMMITTEES

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

Remuneration Committee

The Company established a remuneration committee (the "Remuneration Committee") on 28 June 2004 with written terms of reference, which was revised on 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, who resigned on 19 July 2013, Mr. Pieter Lambert Diaz Wattimena, an independent non-executive Director, who resigned on 7 March 2014, Mr. Liu Wen and Mr. Kwan King Wah, both of who were appointed on 7 March 2014, as members.

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 27 to 32, in the Directors' Report on pages 10 to 18 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)*	1/1
Liu Wen (appointed on 7 March 2014)	0/0
Kwan King Wah (appointed on 7 March 2014)	0/0
Pieter Lambert Diaz Wattimena (resigned on 7 March 2014)	1/1
Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman (resigned on 19 July 2013)	1/1

The number of senior management of the Group whose remuneration for the year ended 31 December 2013 fell within the following band is as follows:

	Number of senior management
Nil to HK$1,000,000	2

Nomination Committee

The Company established a nomination committee (the "Nomination Committee") on 28 June 2004 with written terms of reference, which was revised on 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, who resigned on 19 July 2013 and Mr. Liu Wen, an independent non-executive Director, who was appointed as chairman of the Nomination Committee on 7 March 2014 with Mr. Kwan King Wah and Mr. Zeng Min, independent non-executive Directors, as members.

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.

Board Diversity Policy

The Nomination Committee adopted the board diversity policy on 29 August 2013.

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

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
Liu Wen *(Chairman)* (appointed on 7 March 2014)	0/0
Kwan King Wah	1/1
Zeng Min	1/1
Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman *(Chairman)* (resigned on 19 July 2013)	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 auditors twice a year.

The Audit Committee constitutes Mr. Kwan King Wah, an independent non-executive Director, as chairman of the Audit Committee with Mr. Liu Wen, an independent non-executive Director, who was appointed on 7 March 2014, Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman, a non-executive Director, who resigned on 19 July 2013, Mr. Pieter Lambert Diaz Wattimena, who resigned on 7 March 2014 and Mr. Zeng Min, independent non-executive Directors, as members.

During the year under review, the Audit Committee had reviewed the Group's consolidated financial statements for the year ended 31 December 2013 and the interim consolidated financial statements for the six months ended 30 June 2013, 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 auditors relating to the Company's accounting and auditing matters are of good quality. The Audit Committee also held meetings with the Company's auditors 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)*	2/2
Liu Wen (appointed on 7 March 2014)	0/0
Zeng Min (appointed on 28 August 2013)	1/1
Pieter Lambert Diaz Wattimena (resigned on 7 March 2014)	2/2
Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman (resigned on 19 July 2013)	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. Mr. Kenny Sim is the primary corporate contact person of the Company with Mr. Lo. The biography of Mr. Lo has been set out on page 32 under the section of the Directors, Senior Management and Staff.

Being the Company Secretary, 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 for the year ended 31 December 2013.

AUDITORS' REMUNERATION

For the year ended 31 December 2013, the remuneration in respect of audit services and other service assignment provided by the auditors 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 AGM. 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 AGM.

DIRECTORS' AND AUDITORS' 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 2013, 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 auditors of the Company on the consolidated financial statements of the Company for the year ended 31 December 2013 are set out in the Independent Auditors' 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 54, was appointed as an executive Director on 27 September 2011. He 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 retirement by 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 46, was appointed as an executive Director on 27 September 2011. He 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 retirement by rotation and re-election at the Company's next AGM 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
Chief Executive Officer

Mr. Wang Zhongling, aged 31, was appointed as an executive Director on 13 November 2012 and the acting chairman of the Board and chief executive officer of the Company on 2 December 2013. He stepped down as the acting chairman of the Board on 7 March 2014. He 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 10 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 retirement by 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Liu Wen
Chairman

Mr. Liu Wen, aged 46, was appointed as an independent non-executive Director and chairman of the Board. He graduated with a Bachelor of Law degree from Peking University in 1990 and began his career practicing law in Guangdong Province, PRC before relocating to Hong Kong in 1997.

Mr. Liu is registered as a foreign lawyer with the Law Society of Hong Kong and is Head of the China Division of Li, Wong, Lam & W. I. Cheung Solicitors. He is experienced in both Hong Kong and Mainland China matters, particularly in relation to foreign direct investments in China. Mr. Liu is also a Member of the 5th and 6th Meizhou Municipal Committee of the Chinese People's Political Consultative Conference, Guandong Province and is a guest lecturer of the Chinese Manufacturers' Association of Hong Kong.

Mr. Liu presently holds directorships in two Hong Kong private companies, namely Hong Kong Mei Zhou Association Limited and Hong Kong Hakka Association Limited.

Save as disclosed above, Mr. Liu 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. Liu does not have any interests or short positions in the Company's shares within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Liu does not have any relationship with any current or former director, senior management, or substantial or controlling shareholders of the Company.

Mr. Liu has entered into a service agreement with the Company on 7 March 2014 with no fixed term of service of the Company. Mr. Liu shall hold office only until the next annual general meeting of the Company and shall be eligible for re-election at the next annual general meeting of the Company and retirement by rotation at least once every three years in accordance with the Company's bye-laws. Subject to recommendation by the remuneration committee of the Company to the Board, Mr. Liu will be entitled to a director's remuneration (including a director's fee) with discretionary bonus, which is with reference to his duties and responsibilities in the Company and the prevailing market conditions.

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 50, was appointed as an independent non-executive Director on 27 August 2012. He was also appointed as the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee.

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 21 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 retirement by 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 42, was appointed as an independent non-executive Director on 27 August 2012. He was also appointed as the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee.

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 21 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 retirement by 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

Kenny Sim
Chief Financial Officer

Mr. Kenny Sim, aged 38, joined the Group in 2010 as a financial controller. Prior to joining the Group, Mr. Kenny Sim had over 10 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 51, 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 22 years of experience in sales and development in the information technology industry.

COMPANY SECRETARY

Lo Wah Wai

Mr. Lo, aged 50, 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 have been addressed in the paragraph headed "Human Resources" under the section of the Management Discussion and Analysis on page 9.

Statement of Directors' Responsibilities in respect of Consolidated Financial Statements

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

When preparing consolidated financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently

- Make judgments and estimates that are reasonable

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

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

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

Independent Auditors' Report

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

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 36 to 116, which comprise the consolidated and the company statements of financial position as at 31 December 2013, 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 2013 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
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong, 28 March 2014

Consolidated Income Statement

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Turnover	8	466,280	1,022,625
Cost of sales		(693,783)	(1,664,615)
Gross loss		(227,503)	(641,990)
Other revenue and gains	9	7,233	8,632
Change on fair value of financial assets at fair value through profit or loss		11,874	(1,453)
Selling and distribution expenses		(2,106)	(171,249)
Administrative expenses		(79,002)	(161,535)
Other operating expenses		(652,679)	(873,320)
Loss from operations	10	(942,183)	(1,840,915)
Finance costs	12	(3,763)	(4,807)
Share of result of associates		3	(120)
Loss before taxation		(945,943)	(1,845,842)
Taxation	13	3,819	(246)
Loss for the year		(942,124)	(1,846,088)
Attributable to:			
Owners of the Company		(935,625)	(1,874,373)
Non-controlling interests		(6,499)	28,285
		(942,124)	(1,846,088)
Loss per share attributable to owners of the Company			
— Basic (HK cents)	14	(133.4)	(314.7)
— Diluted (HK cents)	14	(133.4)	(314.7)

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 2013

	Notes	2013 HK$'000	2012 HK$'000
Loss for the year		**(942,124)**	(1,846,088)
Other comprehensive loss for the year			
Items that may be reclassified to profit or loss:			
Available-for-sale financial assets:			
Change in fair value		**(1,814)**	(5,050)
Reclassification adjustments upon disposal		**2,200**	—
		386	(5,050)
Exchange difference on translating foreign operations			
Exchange differences arising during the year		**(4,922)**	8,079
Reclassification adjustments upon disposal		**—**	(128)
		(4,922)	7,951
		(4,536)	2,901
Total comprehensive loss for the year		**(946,660)**	(1,843,187)
Attributable to:			
Owners of the Company		**(940,161)**	(1,871,473)
Non-controlling interests		**(6,499)**	28,286
		(946,660)	(1,843,187)

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

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**106,251**	157,813
Investment properties	17	**—**	57,765
Prepaid lease payments	18	**17,736**	19,221
Goodwill	19	**39,717**	62,017
Intangible assets	20	**68,600**	88,200
Interests in associates	35	**—**	28,912
Available-for-sale financial assets	21	**406**	34,220
		232,710	448,148
Current assets			
Prepaid lease payments	18	**194**	208
Inventories	24	**—**	386,326
Financial assets at fair value through profit or loss	22	**15,606**	3,732
Trade receivables	25	**14,826**	458,977
Deposits, prepayments and other receivables	26	**54,031**	4,997
Cash at bank and on hand	27	**74,343**	28,202
		159,000	882,442
Total assets		**391,710**	1,330,590
CAPITAL AND RESERVES			
Share capital	28	**8,354**	5,976
Reserves	29	**237,568**	1,113,788
Equity attributable to owners of the Company		**245,922**	1,119,764
Non-controlling interests		**32,145**	38,644
Total equity		**278,067**	1,158,408

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
LIABILITIES			
Non-current liabilities			
Interest-bearing borrowings	30	**30,289**	42,335
Obligations under finance leases	31	**—**	174
Deferred tax liabilities	32	**12,013**	17,698
		42,302	60,207
Current liabilities			
Trade payables	33	**16,054**	20,991
Accruals and other payables	34	**45,259**	74,817
Tax payables		**763**	912
Interest-bearing borrowings	30	**9,240**	4,685
Promissory note	36	**—**	10,500
Obligations under finance leases	31	**25**	70
		71,341	111,975
Total liabilities		**113,643**	172,182
Total equity and liabilities		**391,710**	1,330,590
Net current assets		**87,659**	770,467
Total assets less current liabilities		**320,369**	1,218,615

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 28 March 2014 and signed on its behalf by

Li Jinglong
Executive Director

Zhang Ligong
Executive Director

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

Statement of Financial Position

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	—	1
Investments in subsidiaries	23	88,724	88,724
Available-for-sale financial assets	21	406	20
		89,130	88,745
Current assets			
Amounts due from subsidiaries	23	1,427	648,762
Deposits, prepayments and other receivables	26	225	214
Cash at bank and on hand	27	—	—
		1,652	648,976
Total assets		90,782	737,721
CAPITAL AND RESERVES			
Share capital	28	8,354	5,976
Reserves	29	50,775	709,495
Equity attributable to owners of the Company		59,129	715,471
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries	37	4,355	3,461
Accruals and other payables	34	27,298	18,789
Total liabilities		31,653	22,250
Total equity and liabilities		90,782	737,721
Net current (liabilities)/assets		(30,001)	626,726
Total assets less current liabilities		59,129	715,471

The financial statements were approved and authorised for issue by the board of directors of the Company on 28 March 2014 and signed on its behalf by:

Li Jinglong
Executive Director

Zhang Ligong
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 2013

	Attributable to owners of the Company												
	Share capital	Share premium	Available-for- sale securities revaluation reserve	Employee share-based compensation reserve	Convertible note reserve	Capital reserve	Translation reserve	Legal reserve	Share issuable reserve	Retained earnings/ (accumulated losses)	Sub-total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 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 a subsidiary (note 38(b))	–	–	–	–	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 bonds	1,044	87,853	–	–	(3,475)	–	–	–	–	–	85,422	–	85,422
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	37	37
As at 31 December 2012 and 1 January 2013	5,976	2,138,927	(39,292)	8,780	–	(872)	(13,427)	48	–	(980,376)	1,119,764	38,644	1,158,408
Loss for the year	–	–	–	–	–	–	–	–	–	(935,625)	(935,625)	(6,499)	(942,124)
Other comprehensive loss for the year	–	–	386	–	–	–	(4,922)	–	–	–	(4,536)	–	(4,536)
Total comprehensive loss for the year	–	–	386	–	–	–	(4,922)	–	–	(935,625)	(940,161)	(6,499)	(946,660)
Lapse of share options	–	–	–	(3,710)	–	–	–	–	–	3,710	–	–	–
Placing of shares	2,378	63,941	–	–	–	–	–	–	–	–	66,319	–	66,319
As at 31 December 2013	8,354	2,202,868	(38,906)	5,070	–	(872)	(18,349)	48	–	(1,912,291)	245,922	32,145	278,067

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Cash flows from operating activities			
Loss before taxation		**(945,943)**	(1,845,842)
Adjustment for:			
Amortisation of intangible assets	20	**19,600**	95,020
Amortisation of prepaid lease payments	18	**201**	305
Depreciation	16	**12,159**	16,977
(Gain)/loss on disposal of property, plant and equipment	10	**(1,719)**	2,265
Loss on disposal of investment properties	10	**13,400**	2,311
Gain on disposal of prepaid lease payments	9	**—**	(1,436)
Gain arising on change in fair value of investment properties	9, 17	**—**	(2,770)
Gain on disposal of subsidiaries	38(a)	**—**	(109)
Gain on disposal of an associate	9, 35	**(86)**	—
Loss on disposal of available-for sale financial assets	21	**2,200**	—
Share of result of associates	35	**(3)**	120
Reversal of written down of inventories	9	**—**	(989)
Reversal of impairment loss on trade receivables	9	**(1,821)**	—
Written down of inventories	10	**1,299**	207,762
Impairment loss on trade receivables	25	**582,101**	276,844
Impairment loss on intangible assets	20	**—**	381,412
Impairment loss on available-for-sale financial assets	21	**—**	3,707
Impairment loss on goodwill	19	**22,300**	—
(Gain)/Loss arising on fair value of financial assets at fair value through profit or loss		**(11,874)**	1,453
Bank interest income	9	**(273)**	(130)
Impairment loss on property, plant and equipment	10	**31,379**	—
Written off of property, plant and equipment		**—**	1,284
Interest expenses on interest-bearing borrowings and bank overdrafts, promissory note and finance leases		**3,648**	4,623
Operating cash flows before movements in working capital		**(273,432)**	(857,193)
Decrease in inventories		**385,027**	66,365
(Increase)/decrease in trade receivables		**(136,129)**	137,935
(Increase)/decrease deposits, prepayments and other receivables		**(21,034)**	616,578
(Decrease)/increase in trade payables		**(4,937)**	7,565
(Decrease)/increase in accruals and other payables		**(30,058)**	11,118
Cash used in operations		**(80,563)**	(17,632)
Bank interest income received	9	**273**	130
Income tax paid		**(1,874)**	(395)
Net cash used in operating activities		**(82,164)**	(17,897)

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Cash flows from investing activities			
Purchases of property, plant and equipment	16	**(23)**	(2,006)
Decrease in fixed deposits	27	**—**	25,287
Net cash receive for acquisition of a subsidiary	38(b)	**—**	2,051
Proceeds from disposal of available-for-sale financial assets		**20,000**	—
Proceeds from disposal of associates	35	**3,000**	—
Proceeds from disposal of prepaid lease payments		**—**	15,734
Proceeds from disposal of investment properties		**45,828**	3,951
Proceeds from disposal of property, plant and equipment		**1,994**	3,703
Net cash generated from investing activities		**70,799**	48,720
Cash flows from financing activities			
Interest expenses paid on interest-bearing borrowings and bank overdrafts	12	**(3,648)**	(3,606)
Issue of new shares		**66,319**	—
Interest-bearing borrowings repaid, net		**(4,515)**	(32,646)
Repayment of obligations under finance leases		**(212)**	(86)
Net cash generated from/(used in) financing activities		**57,944**	(36,338)
Net increase/(decrease) in cash and cash equivalents for the year		**46,579**	(5,515)
Cash and cash equivalents at beginning of the year		**28,025**	27,929
Effect of foreign exchange rate changes		**(433)**	5,611
Cash and cash equivalents at end of the year		**74,171**	28,025
Analysis of the balances of cash and cash equivalents:			
Cash at bank and on hand		**74,343**	28,202
Fixed deposits		**(172)**	(177)
Cash and cash equivalents at end of the year		**74,171**	28,025

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 applied 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.

The Group has applied the following new and revised IFRSs issued by the International Accounting Standard Board for the first time in the current year:

Amendments to IFRSs	Annual Improvements to IFRSs 2009–2011 Cycle
Amendments to IFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 19 (Revised 2011)	Employee Benefits
IAS 27 (Revised 2011)	Separate Financial Statements
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
IFRIC-Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the new and revised 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 disclosures set out in these consolidated financial statements.

Amendments to IAS 1 Presentation of items of Other Comprehensive Income

The Group has applied the amendments to IAS 1 Presentation of Items of Other Comprehensive Income. Upon the adoption of the amendments to IAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

5. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[1]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle[2]
IFRS 9	Financial Instruments[3]
IFRS 14	Regulatory Deferral Accounts[5]
IFRIC-Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Available for application-the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
5 Effective for first annual IFRS financial statements beginning on or after 1 January 2016

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs may result in changes in accounting policies and are unlikely to have a significant impact on the Group's results of operations and financial position.

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 non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after 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 and 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 net 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	$33\frac{1}{3}$%
Mould	20%
Motor vehicles	20%
Development tools	20%

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

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

(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.

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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.

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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.

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Taxation

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

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

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

The carrying amount of deferred tax assets is reviewed at each 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 date, to recover or settle the carrying amount of its assets and liabilities.

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Pensions

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

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

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

(n) Financial instruments

Financial assets and financial liabilities are recognised 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.

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Financial instruments (Continued)

Financial assets (Continued)

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 net 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.

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 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 (c). 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, accrual and other payables convertible notes and promissory notes) 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 net 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.

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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.

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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.

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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;

(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.

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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) Investment in associate

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.

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.

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Investment in associate (Continued)

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.

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.

7. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Useful lives of property, plant and equipment

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

(c) Income taxes

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

(d) 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.

7. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(g) Impairment of intangible assets

The directors of the Company reconsidered the recoverability of the Group's intangible assets "logo", "contract rights", "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.

(i) Fair value of investment properties

For the year ending 31 December 2012, the Group's investment properties are stated at fair value of approximately HK$57,765,000 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. TURNOVER AND 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's Application & Related Accessories and Commodities Trading operating segments.

— *Trading of Security & Biometric Products segment* consists of biometrics and RFID products for consumer applications. Examples include the m-series fingerprint door locks and FX-Secure-Key. Also, it carries biometric and RFID products and components for commercial use, suchasi-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;

8. TURNOVER AND SEGMENT INFORMATION (Continued)

— *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 commodity 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.

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	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Turnover												
— external sales	152,557	995,204	443	576	55,145	22,776	258,135	4,069	–	–	466,280	1,022,625
Segment results	(233,992)	(651,612)	403	373	5,260	9,243	826	6	–	–	(227,503)	(641,990)
Unallocated other operating income									7,233	8,523	7,233	8,523
Change on fair value of financial assets at fair value through profit or loss									11,874	(1,453)	11,874	(1,453)
Depreciation	(4,843)	(10,822)	(1,301)	(3,328)	(352)	(166)	–	–	(5,663)	(2,661)	(12,159)	(16,977)
Amortisation of prepaid lease payments	–	(100)	–	–	–	–	–	–	(201)	(205)	(201)	(305)
Amortisation of intangible assets	–	–	–	(85,220)	(19,600)	(9,800)	–	–	–	–	(19,600)	(95,020)
Impairment loss on other receivables	–	–	–	–	–	–	–	–	–	–	–	–
Impairment loss on trade receivables	(582,101)	(276,380)	–	–	–	(343)	–	–	–	(121)	(582,101)	(276,844)
Impairment loss on available-for-sale financial assets	–	–	–	–	–	–	–	–	–	(3,707)	–	(3,707)
Impairment loss on intangible assets	–	(203,904)	–	(177,508)	–	–	–	–	–	–	–	(381,412)
Impairment loss on goodwill	–	–	–	–	(22,300)	–	–	–	–	–	(22,300)	–
Written down of obsolete inventories									(1,299)	(207,762)	(1,299)	(207,762)
Unallocated expenses									(96,124)	(224,088)	(96,124)	(224,088)
Finance costs									(3,763)	(4,807)	(3,763)	(4,807)
Loss before taxation									(87,943)	(436,281)	(945,943)	(1,845,842)
Taxation									3,819	(246)	3,819	(246)
Loss for the year									(84,124)	(436,527)	(942,124)	(1,846,088)
Segment assets	78	821,859	–	–	123,064	169,593	–	4,069	268,568	335,069	391,710	1,330,590
Segment liabilities	12,093	12,278	–	–	3,927	4,615	–	4,063	97,623	151,226	113,643	172,182
Other segment information:												
Additions to non-current assets	–	31	–	–	–	1,575	–	–	–	400	–	2,006
Interests in associates	–	–	–	–	–	–	–	–	–	28,913	–	28,913
Share of loss of associates	–	–	–	–	–	–	–	–	3	(120)	3	(120)
Depreciation	(4,843)	(10,822)	(1,301)	(3,328)	(352)	(166)	–	–	(5,663)	(2,661)	(12,159)	(16,977)
Amortisation of prepaid lease payments	–	(100)	–	–	–	–	–	–	(201)	(205)	(201)	(305)
Amortisation of intangible assets	–	–	–	(85,220)	(19,600)	(9,800)	–	–	–	–	(19,600)	(95,020)
Impairment loss recognised in respect of goodwill	–	–	–	–	(22,300)	–	–	–	–	–	(22,300)	–
Impairment loss on trade receivables	(582,101)	(276,380)	–	–	–	(343)	–	–	–	(121)	(582,101)	(276,844)
Impairment loss on available-for-sale financial assets	–	–	–	–	–	–	–	–	–	(3,707)	–	(3,707)
Impairment loss on intangible assets	–	(203,904)	–	(177,508)	–	–	–	–	–	–	–	(381,412)

8. SEGMENT INFORMATION (Continued)

Revenue from major products and services

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

	2013 HK$'000	2012 HK$'000
Trading of Security & Biometric Products		
Consumer products	1,384	18,239
Enterprise products	151,173	976,965
Solutions, Projects and Services		
Biometric application	—	11
RFID solutions	443	565
Internet & Mobile's Application & Related Accessories	55,145	22,776
Commodities Trading	258,135	4,069
	466,280	1,022,625

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	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Southeast Asia	465,687	1,019,272	(227,686)	(641,726)
Middle East	593	3,353	183	(264)
	466,280	1,022,625	(227,503)	(641,990)

	Segment assets		Segment liabilities		Additions to non-current assets		Amortisation and deprecation	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Southeast Asia	391,710	1,330,052	110,993	169,553	—	2,006	31,922	112,128
Middle East	—	538	2,650	2,629	—	—	38	174
	391,710	1,330,590	113,643	172,182	—	2,006	31,960	112,302

8. SEGMENT INFORMATION (Continued)

Information about major customers

The Group's customer base includes 4 (2012: 2) customers with whom transactions have individually exceeded 10% of the Group's revenue during the year ended 31 December 2013.

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

	2013 HK$'000	2012 HK$'000
Customer A	76,333	213,497
Customer B	74,710	243,839
Customer C	62,045	—
Customer D	53,813	—
	266,901	457,336

9. OTHER REVENUE AND GAINS

	2013 HK$'000	2012 HK$'000
Other revenue		
Bank interest income	273	130
Rental income	2,575	2,358
Sundry income	759	465
	3,607	2,953
Other gains		
Gain arising on change in fair value of investment properties	—	2,770
Reversal of impairment loss on trade receivables	1,821	—
Gain on disposal of property, plant and equipment	1,719	—
Gain on disposal of an associate	86	—
Gain on disposal of prepaid lease payments	—	1,436
Reversal of written down of inventories	—	989
Foreign exchange gain	—	375
Gain on disposal of subsidiaries	—	109
	3,626	5,679
Total	7,233	8,632

10. LOSS FROM OPERATIONS

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

	Notes	2013 HK$'000	2012 HK$'000
Depreciation			
— Owned assets		**12,091**	16,851
— Assets held under finance leases		**68**	126
	16	**12,159**	16,977
Cost of inventories sold		**686,474**	1,664,615
Amortisation of prepaid lease payments	18	**201**	305
Amortisation of intangible assets	20	**19,600**	95,020
Written off of property, plant and equipment		**—**	1,284
Impairment loss on property, plant and equipment		**31,379**	—
(Gain)/loss on disposal of property, plant and equipment		**(1,719)**	2,265
Loss on disposal of investment properties*		**13,400**	2,311
Impairment loss on trade receivables*	25	**582,101**	276,844
Impairment loss on available-for-sale financial assets*	21	**—**	3,707
Impairment loss on intangible assets*	20	**—**	381,412
Loss on disposal of available-for-sale financial assets*		**2,200**	—
Impairment loss on goodwill*	19	**22,300**	—
Written down of inventories*	24	**1,299**	207,762
Foreign exchange loss/(gain)*		**2,542**	(375)
Auditors' remuneration			
— Audit services		**6,000**	6,000
— Other services		**1,000**	1,000
Operating lease rentals in respect of premises		**1,641**	2,466
Staff costs, including directors' remuneration	11	**8,698**	13,151

* Items included in other operating expenses

11. STAFF COSTS AND THE FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' and chief executive officer's remuneration

	Directors' fees		Salaries and bonus		Retirement scheme contribution		Employee share option benefits		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Chief executive officer and executive director										
Wang Zhongling[1]	249	20	–	–	–	–	–	–	249	20
Acting chief executive officer										
Danny Chew Tean[2]	–	–	500	600	–	–	–	–	500	600
Executive directors:										
Li Jinglong	180	180	–	–	–	–	–	–	180	180
Zhang Ligong	180	180	–	–	–	–	–	–	180	180
Chong Chu Hwa, Brandson[3]	–	90	–	–	–	–	–	–	–	90
	360	450	–	–	–	–	–	–	360	450
Non-executive directors:										
Raymond Chu Wai Man[4]	–	480	–	–	–	–	–	–	–	480
Tan Sri Dato' Nik Hashim Bin Nik Ab. Raham[5]	132	340	–	–	–	–	–	–	132	340
	132	820	–	–	–	–	–	–	132	820
Independent non-executive directors:										
Liu Kwok Bond[6]	–	120	–	–	–	–	–	–	–	120
Li Mow Ming Sonny[7]	–	120	–	–	–	–	–	–	–	120
Pieter Lambert Diaz Wattimena[8]	192	212	–	–	–	–	–	–	192	212
Kwan King Wah[9]	180	62	–	–	–	–	–	–	180	62
Zeng Ming[10]	180	60	–	–	–	–	–	–	180	60
	552	574	–	–	–	–	–	–	552	574
	1,293	1,864	500	600	–	–	–	–	1,793	2,464

Notes:

1 Appointed as executive director on 13 November 2012 and as chief executive officer on 1 November 2013
2 Resigned on 1 November 2013
3 Appointed on 1 July 2012 and resigned on 13 November 2012
4 Retired on 30 June 2012
5 Resigned on 19 July 2013
6 Resigned on 1 July 2012
7 Resigned on 1 July 2012
8 Resigned on 7 March 2014
9 Appointed on 27 August 2012
10 Appointed on 27 August 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:

	2013 HK$'000	2012 HK$'000
Salaries and bonus	2,153	2,944
Retirement scheme contribution	61	—
	2,214	2,944

(c) Employee

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

	2013 HK$'000	2012 HK$'000
Wages, salaries and bonus	6,014	9,114
Retirement scheme contribution	384	851
Welfare	86	242
	6,484	10,207

(d) Five highest paid individuals

The five highest paid individuals of the Group include four (2012: three) directors of the Company.

The remuneration paid to the five highest paid individuals (including 1 (2012: 2) individual of senior management) of the Group during the year was as follows:

	2013 HK$'000	2012 HK$'000
Salaries and bonus	1,301	1,900

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

	2013	2012
Nil–HK$1,000,000	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

	2013 HK$'000	2012 HK$'000
Bank charges	115	184
Interests on interest-bearing borrowings and bank overdrafts wholly repayable within five years	3,640	2,261
Interests on interest-bearing borrowings and bank overdrafts wholly repayable over five years	—	1,322
Promissory note (note 36)	—	457
Interest on convertible note	—	560
Interest on obligations under finance leases	8	23
	3,763	4,807

13. TAXATION

	2013 HK$'000	2012 HK$'000
Current tax expense in respect of the current year:		
— Hong Kong	643	1,208
— PRC	—	—
— Malaysia	1,257	—
	1,900	1,208
Reversal of deferred tax recognised in the current year (Note 32)	(5,719)	(962)
	(3,819)	246

Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the year.

Malaysian Income Tax is calculated at the statutory tax rate of 25% (2012: 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% (2012: 20%) for the year and the amount of chargeable income exceeding Malaysian Ringgit 500,000 is charged at the rate of 25% (2012: 25%) for the year.

Under the Law of PRC on Enterprises Income Tax, the tax rate of the PRC subsidiaries is 25% (2012: 25%). No provision for Enterprises Income Tax has been made during the year as the Group has no assessable profit arising on PRC.

13. TAXATION (Continued)

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The income tax expense for the year 2013 and 2012 can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2013 HK$'000	2012 HK$'000
Loss before taxation	**(945,943)**	(1,845,842)
Income tax expense calculated at 25% (2012: 25%)	**(236,486)**	(461,461)
Tax effect of recognised temporary difference	**(5,719)**	(962)
Tax effect of income not taxable for tax purposes	**(2,384)**	(863)
Tax effect of expenses not deductible for tax purposes	**9,082**	4,950
Effect of different tax rates of subsidiaries operating in other jurisdictions	**89,314**	244,508
Effect of estimated tax losses not recognised	**142,374**	214,074
	(3,819)	246

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 HK$935,625,000 (2012: net loss HK$1,874,373,000) and the weighted average number of ordinary shares in issue during the year of 701,325,866 (2012: 595,575,207).

During the year ended 31 December 2013 and 31 December 2012, 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 2013 and 31 December 2012 were the same as the basic loss per share as there was no diluting event during the current year and prior year.

15. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the year ended 31 December 2013 (2012: Nil).

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 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 and 1 January 2013	122,072	51,815	62,114	471	2,000	5,397	66,006	309,875
Additions	—	—	23	—	—	—	—	23
Disposals	—	—	—	—	—	(3,840)	(25,113)	(28,953)
Exchange alignment	(8,202)	(59)	(486)	(25)	—	(44)	(1,548)	(10,364)
As at 31 December 2013	113,870	51,756	61,651	446	2,000	1,513	39,345	270,581
Accumulated depreciation								
As at 1 January 2013	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 and 1 January 2013	8,139	24,681	48,690	406	2,000	2,169	65,977	152,062
Charge for the year	2,373	6,117	3,242	62	—	354	11	12,159
Impairment	—	20,408	10,693	—	—	278	—	31,379
Disposal	—	—	—	—	—	(2,331)	(26,347)	(28,678)
Exchange alignment	(643)	(36)	(1,567)	(22)	—	(18)	(306)	(2,592)
As at 31 December 2013	9,869	51,170	61,058	446	2,000	452	39,335	164,330
Carrying amount								
As at 31 December 2013	**104,001**	**586**	**593**	**—**	**—**	**1,061**	**10**	**106,251**
As at 31 December 2012	113,933	27,134	13,424	65	—	3,228	29	157,813

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group (Continued)

The Group's land and buildings with a net book value of approximately HK$ 121,931,000 (2012: HK$133,362,000) were pledged to secure the interest-bearing borrowings of the Group as at 31 December 2013 and 2012.

As at 31 December 2013, the net book value of the Group's motor vehicles included an amount of approximately HK$45,000 (2012: HK$425,000) in respect of assets held under finance leases.

The Company

	Furniture, fixtures and equipment HK$'000
Cost	
As at 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	4
Accumulated depreciation	
As at 1 January 2012	2
Charge for the year	1
As at 31 December 2012 and 1 January 2013	3
Charge for the year	1
As at 31 December 2013	4
Carrying amount	
As at 31 December 2013	**—**
As at 31 December 2012	1

17. INVESTMENT PROPERTIES

The Group

	2013 HK$'000	2012 HK$'000
Fair value		
As at the beginning of the year	57,765	61,257
Disposal	(57,765)	(6,262)
Gain arising on change in fair value	—	2,770
Exchange alignment	—	—
As at the end of the year	—	57,765

17. INVESTMENT PROPERTIES (Continued)

The Group (Continued)

The investment properties of the Group were revalued at 2012 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 which has been recognised in the consolidated income statement for the year ended 31 December 2012.

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.

18. PREPAID LEASE PAYMENTS

The Group

	2013 HK$'000	2012 HK$'000
Cost		
As at the beginning of the year	**20,677**	34,791
Disposal	**—**	(14,767)
Exchange alignment	**(1,390)**	653
As at the end of the year	**19,287**	20,677
Accumulated amortisation		
As at the beginning of the year	**1,248**	1,385
Amortisation during the year	**201**	305
Disposal	**—**	(469)
Exchange alignment	**(92)**	27
As at the end of the year	**1,357**	1,248
Carrying amount		
As at the end of the year	**17,930**	19,429

18. PREPAID LEASE PAYMENTS (Continued)

The Group (Continued)

	2013 HK$'000	2012 HK$'000
Land outside Hong Kong held on:		
— Leases of within 1 year	194	208
— Leases of later than 1 year and not later than 5 years	776	832
— Leases of later than 5 years	16,960	18,389
	17,930	19,429
Less: current portion	(194)	(208)
	17,736	19,221

	2013 HK$'000	2012 HK$'000
Long term lease (i)	17,930	19,429

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

19. GOODWILL

The Group

	2013 HK$'000	2012 HK$'000
Cost		
As at beginning of the year	195,296	154,479
Additional amounts recognised from business combinations occurred during the year (note 38(b))	—	41,112
Disposal	—	(4,509)
Exchange alignment	(8,956)	4,214
As at end of the year	186,340	195,296
Accumulated impairment losses		
As at the beginning of the year	133,279	133,574
Impairment loss recognised during the year (note a & b)	22,300	—
Disposal	—	(4,509)
Exchange alignment	(8,956)	4,214
As at end of the year	146,623	133,279
Carrying amount		
As at end of the year	39,717	62,017

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:

	2013 HK$'000	2012 HK$'000
Hyperstore distribution of IT related products and security equipments	—	—
Computer accessories	—	—
Software development	—	—
Home business accessories (note a)	20,905	20,905
Provision of advertising and entertainment applications on mobile platforms (note b)	18,812	41,112
	39,717	62,017

The directors of the Company had assessed the recoverable amount of goodwill as at 31 December 2013 by reference to the valuations as at 31 December 2013 performed by an independent firm of qualified valuer.

Note:

(a) 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 21.54% (2012: 13.52%). Cash flows beyond the 5-year period are extrapolated using a 2.5% (2012: 3%) 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.

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 provision of advertising and entertainment applications on mobile platforms containing goodwill and intangible assets which was acquired from the business combination during year ended 31 December 2012, as stated in note 38 (b).

For the purpose of impairment testing, the carrying amounts of goodwill and mobile application software and technology (including in intangible assets set out in note 20) after impairment loss, have been allocated to the CGU for provision of advertising and entertainment applications on mobile platforms are as follows:

	2013 HK$'000	2012 HK$'000
Goodwill	18,812	41,112
Mobile application software and technology	68,600	88,200
	87,412	129,312

The directors of the Company has determined that there is an 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 and intangible assets has been allocated) based on the valuation report by an independent valuer was calculated to be lower than its aggregate carrying amounts.

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 21.23% (2012: 17.25%). Cash flows beyond the 5-year period are extrapolated using a 3% (2012: 3%) growth rate and the growth rate does not exceed the average long-term growth rate for the industry.

The cash flow projections are prepared base on the expected gross margins determined based on past performance of provision of advertising and entertainment applications on mobile platforms and management expectations for market developments. The discount rates was estimated reflect current market assessment of the time value of money and the risk specific to the relevant CGUs in the market.

During the year ended 31 December 2013, the impairment loss of goodwill and intangible assets was recognised to the consolidated income statement was approximately HK$22,300,000 (2012: Nil) and Nil (2012: Nil) respectively.

The directors of the Company believe that as the CGU of provision of advertising and entertainment applications on mobile platforms containing goodwill has been reduced to its recoverable amount, any adverse change in assumption used in the calculation of recoverable would result in further losses.

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 2012	148	629,637	1,463,607	—	2,093,392
Additions arising from acquisition of subsidiaries	—	—	—	98,000	98,000
Disposal of subsidiaries	—	—	(264,286)	—	(264,286)
As at 31 December 2012 , 1 January 2013 and 31 December 2013	148	629,637	1,199,321	98,000	1,927,106
Accumulated amortisation and impairment					
As at 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 and 1 January 2013	148	629,637	1,199,321	9,800	1,838,906
Amortisation for the year	—	—	—	19,600	19,600
As at 31 December 2013	148	629,637	1,199,321	29,400	1,858,506
Carrying amount					
As at 31 December 2013	**—**	**—**	**—**	**68,600**	**68,600**
As at 31 December 2012	—	—	—	88,200	88,200

20. INTANGIBLE ASSETS (Continued)

The Group (Continued)

Amortisation charge of approximately HK$19,600,000 (2012: HK$95,020,000) 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. No impairment loss (2012: HK$381,412,000) on intangible assets were recognised during the year ended 31 December 2013.

Impairment testing

The directors of the Company had assessed the recoverable amount of intangible assets as at 31 December 2013 and 31 December 2012 by reference to the valuation which were carried out by an independent valuer.

Project development and design

During the year ended 31 December 2012, the directors of the Company assessed that some of the product designs were outdated and no longer generating revenue, which the product designs did not have any recoverable amount, an impairment loss of approximately HK$381,412,000 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 stated in note 19(b).

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group

	2013 HK$'000	2012 HK$'000
Equity securities at cost:		
Unlisted outside Hong Kong (Note (a), (b) & (c))	–	169,200
Equity securities at fair value:		
Listed outside Hong Kong (Note (d))	406	20
	406	169,220
Impairment loss on unlisted equity securities outside Hong Kong	–	(135,000)
	406	34,220

At 31 December 2012, certain unlisted equity securities with carrying amount of approximately HK$34,200,000 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

	2013 HK$'000	2012 HK$'000
Equity securities at fair value:		
Listed outside Hong Kong (Note (d))	406	20

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, the Group held 15% 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.

During the year ended 31 December 2013, the Group disposed 15% of the equity interest of A-1 Development Inc.

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

The Group and Company (Continued)

Note: (Continued)

(b) As at 31 December 2012, 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.

During the year ended 31 December 2013, the Group disposed 6% of the equity interest of Hero View of which carrying amount of approximately HK$19,200,000, at a consideration of HK$20,000,000. Therefore, a gain of approximately HK$800,000 was recognised. Detail of which was set out in the Company's announcement dated 21 May 2013.

(c) As at 31 December 2012, the Group held 3% 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.

During the year ended 31 December 2013, the Group disposed 3% of the equity interest of Xian Hui of which carrying amount approximately of HK$15,000,000, at a consideration of HK$12,000,000. Therefore a loss of approximately HK$3,000,000 was recognised.

(d) As at 31 December 2013 and 2012, 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.

Impairment testing

During year ended 31 December 2012, the directors of the Company has determined that an impairment of approximately HK$3,707,000 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 Ample Appraisals Limited, an independent valuer as at 31 December 2012. The valuation of A1 was prepared based on asset based approach.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	2013 HK$'000	2012 HK$'000
Held for trading:		
Listed equity securities in Hong Kong	**15,606**	3,732

The fair value of listed securities in Hong Kong is determined base on quoted market bid price available on The Stock Exchange of Hong Kong Limited.

23. INVESTMENTS IN SUBSIDIARIES

The Company

	2013 HK$'000	2012 HK$'000
Unlisted shares, at cost	**88,724**	88,724
Amounts due from subsidiaries	**1,991,569**	1,935,881
Less: Impairment loss recognised	**(1,990,142)**	(1,287,119)
	1,427	648,762
	90,151	737,486

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

For the year ended 31 December 2013 and 2012, 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.

23. INVESTMENTS IN SUBSIDIARIES (Continued)

The Company (Continued)

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

Name	Place and date of incorporation or establishment	Ordinary share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Directly held				
RCG Holdings Limited	British Virgin Islands ("BVI") 5 January 2005	US$1	100%	Investment holding
Indirectly held				
RCG Hong Kong Holdings Limited	BVI 20 October 1999	US$200	100%	Investment holding
RCG International Holdings Limited	BVI 18 April 2005	US$1,000	100%	Investment holding
Sharp Asia International Limited	BVI 18 April 2005	US$1,000	100%	Investment holding
RCG China Holdings Limited	BVI 8 June 2006	US$1	100%	Investment holding
RCG Malaysia Sdn. Bhd.	Malaysia 7 December 2006	RM2	100%	Investment holding
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

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
Indirectly held (Continued)				
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

	2013 HK$'000	2012 HK$'000
Raw materials	30	597,717
Finished goods and goods for sale	14,291	16,289
	14,321	614,006
Less: Written down of inventories	(14,321)	(227,680)
	–	386,326

The directors of the Company has assessed the net realisable values and condition of the Group's inventories as at 31 December 2013 and have considered a write-down of obsolete inventories approximately HK$1,299,000 (2012: HK$207,762,000) be made.

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

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

25. TRADE RECEIVABLES

The Group

	2013 HK$'000	2012 HK$'000
0–30 days	4,493	196,564
31–60 days	3,472	121,744
61–90 days	1,769	30,728
91–180 days	729	79,020
Over 180 days	1,297,220	772,521
	1,307,683	1,200,577
Impairment loss on trade receivables	(1,292,857)	(741,600)
	14,826	458,977

25. TRADE RECEIVABLES (Continued)

The Group (Continued)

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 day credit terms.

Past due but not impaired

Included in the Group's trade receivables balances are debts with carrying amount of HK$5,079,000 (2012: HK$119,211,000) 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.

Age of receivables that are past due but not impaired

	2013 HK$'000	2012 HK$'000
Over 180 days	**5,079**	119,211

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

	2013 HK$'000	2012 HK$'000
Balance at beginning of the year	**741,600**	647,410
Impairment losses recognised on trade receivables	**582,101**	276,844
Impairment losses reversed	**(1,821)**	—
Disposal of subsidiaries	**—**	(192,283)
Amounts written off during the year as uncollectible	**—**	(2,697)
Exchange alignment	**(29,023)**	12,326
Balance at end of the year	**1,292,857**	741,600

25. TRADE RECEIVABLES (Continued)

The Group (Continued)

Reconciliation of impaired trade receivables (Continued)

For the year ended 31 December 2013 and 2012, the directors of the Company assessed the recoverable amounts of trade receivables, recognised specific impairment losses on trade receivables of approximately HK$582,101,000 (2012: HK$276,844,000) had been pursued through legal means. The Group does not hold any collateral over these balances.

Age of impaired trade receivables

	2013 HK$'000	2012 HK$'000
0–30 days	—	—
31–60 days	—	7
61–90 days	716	13,129
91–180 days	—	29,261
Over 180 days	1,292,141	699,203
	1,292,857	741,600

26. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	The Group		The Company	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Prepayments	15,817	1,172	—	—
Other deposits	1,724	1,319	225	214
Other receivables	36,490	2,506	—	—
	54,031	4,997	225	214

Other receivable mainly comprise amount receivable for disposal of Xian Hui Investment Limited of approximately HK$12,000,000 and amount receivable of disposal of I-Century Limited of approximately HK$16,000,000.

For the year ended 31 December 2013 and 2012, the directors of the Company had assess the recoverable amount of other receivables and consider the amount are full recoverable and no impairment is required to make during the both reporting period.

27. CASH AT BANK AND ON HAND

	The Group		The Company	
	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Cash at bank and on hand	74,343	28,202	–	–
Less: Fixed deposits	(172)	(177)	–	–
Cash and cash equivalents	74,171	28,025	–	–

The Group's fixed deposit approximately HK$172,000 (2012: HK$177,000) was pledged to secure the guarantee of the Company's subsidiary.

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

	The Group		The Company	
	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000
British Pounds	–	4	–	–
Malaysian Ringgit	371	11,494	–	–
US Dollars	974	180	–	–
Renminbi	49,681	11,679	–	–
United Arab Emirates Dirham	–	75	–	–

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 deposits. 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 cash at bank 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	
		2013	2012	**2013**	2012
	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		**597,576,496**	493,223,555	**5,976**	4,932
Conversion of convertible note	(i)	**—**	104,352,941	**—**	1,044
Placing of shares	(ii) (iii)	**237,830,000**	—	**2,378**	—
At end of the year		**835,406,496**	597,576,496	**8,354**	5,976

The following movements in the Company's authorised and issued share capital took place during the period from 1 January 2012 to 31 December 2013:

(i) 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.

(ii) On 10 June 2013. The Company allotted and issued an aggregate of 98,600,000 shares by way of placing to independent investors at a price of HK$0.355 per share.

(iii) On 26 September 2013. The Company allotted and issued an aggregate of 139,230,000 shares by way of placing to independent investors at a price of HK$0.25 per share.

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$'000	Retained earnings HK$'000	Total HK$'000
As at 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 and 1 January 2013	2,138,927	8,780	8,877	(39,292)	—	(1,407,797)	709,495
Loss for the year	—	—	—	—	—	(723,047)	(723,047)
Other comprehensive loss for the year	—	—	—	386	—	—	386
Total comprehensive loss for the year	—	—	—	386	—	(723,047)	(722,661)
Lapse of share options	—	(3,710)	—	—	—	3,710	—
Placing of share	63,941	—	—	—	—	—	63,941
As at 31 December 2013	**2,202,868**	**5,070**	**8,877**	**(38,906)**	**—**	**(2,127,134)**	**50,775**

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 2013 was HK$75,734,000 (2012: 731,130,000).

(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 2013, net loss of approximately HK$723,047,000 (2012: net loss of approximately HK$10,451,000) has been dealt with in the financial statement of the Company.

30. INTEREST-BEARING BORROWINGS

The Group

	2013 HK$'000	2012 HK$'000
Within one year	9,240	4,685
In the second to fifth years	23,600	14,056
Over fifth years	6,689	28,279
Total bank borrowings	39,529	47,020

Summary of borrowing arrangements

The bank borrowings bear interest at a rate of 5.20% (2012: 5.20%) per annum.

As at 31 December 2013, the Malaysian Ringgit bank borrowings of approximately HK$39,529,000 (2012: HK$47,020,000) were secured by the Group's buildings in Malaysia with carrying values of approximately HK$104,001,000 (2012: HK$113,933,000) and land in Malaysia with carrying values of approximately HK$17,930,000 (2012: HK$19,429,000) to secure the bank borrowings.

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 1 years (2012: 4 years). Interest rates are charged at commercial rates and fixed at the respective contract dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

Interest rates underlying all obligations under finance lease are fixed at respective contract dates weighted average rate of 2.11% (2012: 2.11%) per annum.

The Group

	Minimum lease payments		Present value of minimum lease payments	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Amounts payable under finance leases:				
Within one year	**25**	174	**25**	174
In the second to fifth years inclusive	**—**	106	**—**	70
	25	280	**25**	244
Less: Future finance charges	**—**	(36)	**—**	—
Present value of finance leases	**25**	244	**25**	244
Less: Amount shown under current liabilities			**(25)**	(70)
Amount shown under non-current liabilities			**—**	174

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 notes HK$'000	Total HK$'000
As at 1 January 2012	—	1,876	576	—	2,452
Acquisition of subsidiaries	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 notes	—	—	—	(649)	(649)
As at 31 December 2012 and 1 January 2013	14,553	2,424	721	—	17,698
Credit to consolidated income statement (note 13)	(3,234)	(2,458)	(27)	—	(5,719)
Exchange realignment	—	34	—	—	34
As at 31 December 2013	**11,319**	**—**	**694**	**—**	**12,013**

33. TRADE PAYABLES

The Group

	2013 HK$'000	2012 HK$'000
0–30 days	118	6,999
31–60 days	3,869	1,702
61–90 days	—	14
Over 90 days	12,067	12,276
	16,054	20,991

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	
	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Accruals	**27,025**	21,350	**25,192**	15,243
Financial guarantee provision	**—**	—	**24**	24
Other payables	**18,234**	53,467	**2,082**	3,522
	45,259	74,817	**27,298**	18,789

35. INTERESTS IN ASSOCIATES

The Group

	2013	2012
	HK$'000	HK$'000
Cost of investment in an associate, unlisted	**—**	28,977
Share of post-acquisition loss	**—**	(65)
	—	28,912

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

During year ended 31 December 2013, the Company entered into a conditional sale and purchase agreement with an independent third party relating to the disposal of 25% equity interest in I-Century Limited, which carrying amount was approximately HK$28,914,000, at aggregate consideration of HK$29,000,000. For detail, please refer to the Company's announcement dated 27 March 2013 and 3 May 2013. The transaction has resulted in the recognition of a gain on disposal of an associate in income statement and calculated as follows:

	HK$'000
Cost of investment as at acquisition date	28,977
Share of post-acquisition losses up to disposal date	(63)
Cost of investment retained	28,914
Consideration received	(29,000)
Gain on disposal of an associate	(86)

35. INTERESTS IN ASSOCIATES (Continued)

The Group (Continued)

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)

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	
				31/12/13	31/12/12
I-Century Limited	Investment holding	British Virgin Island	Hong Kong	–	25%

36. PROMISSORY NOTE

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 agreed 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 was part of the consideration for the Group to dispose I-Century to the holder of Promissory Note.

	The Group and the Company HK$'000
At 1 January 2012	10,043
Interest expenses (note 12)	457
At 31 December 2012 and 1 January 2013	10,500
Cancelled by the holder	(10,500)
At 31 December 2013	–

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

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

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 disposal of	(15)
Non-controlling interests	37
The Group's share of net assets	22

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

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

(a) Disposal of subsidiaries (Continued)

Net Cash flow on disposal of subsidiaries:

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

(b) Acquisitions of subsidiaries

During the year ended 31 December 2012, the Group had acquired 55% of the entire issued share capital of Most Ideas Limited (the "Most Idea"), for Convertible Notes 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 Notes			88,700
Net cash inflow arising on acquisition:			
— Cash and cash equivalents acquired			2,051

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

(b) Acquisitions of subsidiaries (Continued)

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 2013, 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.

39. DETAILS OF NON WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows the details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		As at 31 December 2013	As at 31 December 2012	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000	As at 31 December 2013 HK$'000	As at 31 December 2012 HK$'000
Most Idea Limited and its wholly owned subsidiaries (Note)	Hong Kong	45%	45%	(7,124)	(1,540)	30,271	37,395
Individual immaterial subsidiaries with non-controlling interests						1,874	1,249
						32,145	38,644

Note: Including MG Interactive Limited and MG Interactive Entertainment Limited.

Summarised financial information in respect of each Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

39. DETAILS OF NON WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (Continued)

Most Idea Limited and its wholly-owned subsidiaries

	2013 HK$'000	2012 HK$'000
Non-current assets	**68,745**	88,418
Current assets	**10,796**	15,306
Current liabilities	**(956)**	(6,072)
Non-current liabilities	**(11,319)**	(14,553)
Equity attributable to owners of the Company	**36,995**	45,704
Non-controlling interests	**30,271**	37,395

	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000
Revenue	**9,332**	9,460
Expenses	**(25,165)**	(12,884)
Loss for the year	**(15,833)**	(3,424)
Loss attributable to owners of the Company	**(8,709)**	(1,884)
Loss attributable to the non-controlling interests	**(7,124)**	(1,540)
Loss for the year	**(15,833)**	(3,424)
Other comprehensive loss attributable to owners of the Company	**—**	—
Other comprehensive loss attributable to the non-controlling interests	**—**	—
Other comprehensive loss for the year	**—**	—
Total comprehensive loss attributable to owners of the Company	**(8,709)**	(1,884)
Total comprehensive loss attributable to the non-controlling interests	**(7,124)**	(1,540)
Total comprehensive loss for the year	**(15,833)**	(3,424)
Dividend paid to non-controlling interest	**—**	—

39. DETAILS OF NON WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (Continued)

Most Idea Limited and its wholly-owned subsidiaries (Continued)

	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000
Net cash inflow from operating activities	82	886
Net cash flow from investing activities	–	–
Net cash flow from financing activities	–	–
Net cash inflow	82	886

40. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	2013 HK$'000	2012 HK$'000
Financial assets		
Financial assets at fair value through profit or loss	15,606	3,732
Loan and receivables (including cash at bank and on hand)	125,659	489,685
Available-for-sale financial assets	406	34,220
Financial liabilities		
Amortised cost	100,867	153,572

The Company

	2013 HK$'000	2012 HK$'000
Financial assets		
Loan and receivables (including cash at bank and on hand)	1,427	648,762
Available-for-sale financial assets	406	20
Financial liabilities		
Amortised cost	31,653	22,250

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.

40. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objective and policies

Credit risk

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

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

Liquidity risk

The following tables detail the Group's remaining contractual maturity for its non-derivate financial liabilities as at 31 December 2013 and 31 December 2012. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

The Group

		Contractual undiscounted cash outflow					
	Weighted average effective interest rate	Within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000	Total carrying amount HK$'000
As at 31 December 2013							
Trade payables	—	16,054	—	—	—	16,054	16,054
Accruals and other payables	—	45,259	—	—	—	45,259	45,259
Interest-bearing borrowings	5.20%	9,720	6,207	18,621	7,037	41,585	39,529
Obligation under finance lease	2.11%	25	—	—	—	25	25
		71,058	6,207	18,621	7,037	102,923	100,867
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 lease	2.11%	174	70	36	—	280	244
		114,224	7,812	23,262	19,652	164,950	153,572

40. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

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 2013							
Amounts due to subsidiaries	—	4,355	—	—	—	4,355	4,355
Accruals and other payables	—	27,298	—	—	—	27,298	27,298
		31,653	—	—	—	31,653	31,653
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

Foreign currency risk

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

The following table details the Group's sensitivity to a 5% increase and decrease in Hong Kong Dollars against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at each of reporting period for a 5% change in foreign currency exchange rates.

40. FINANCIAL INSTRUMENTS (Continued)

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

Foreign currency risk (Continued)

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

	2013 HK$'000	2012 HK$'000
The Group		
Change of exchange difference		
Change of foreign currencies exchange rate by 5%:		
British Pounds	–	1
Malaysian Ringgit	–	518
Renminbi	7	–

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 above. 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.

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

	2013 HK$'000	2012 HK$'000
The Group		
Change of finance costs		
Change of interest rate by 0.5%	18	18

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

40. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value estimation

Financial instruments that are measured in the consolidated 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

The following table provide 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 2013	
Financial assets at fair value through profit or loss:	
Listed equity securities in Hong Kong	**15,606**
Available-for-sales financial assets:	
Listed equity securities outside Hong Kong	**406**
	16,012
As at 31 December 2012	
Financial assets at fair value through profit or loss:	
Listed equity securities in Hong Kong	3,732
Available-for-sales financial assets:	
Listed equity securities outside Hong Kong	20
	3,752

40. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value estimation (Continued)

The Company

	Level 1 HK$'000
As at 31 December 2013	
Available –for-sales financial assets:	
Listed equity securities in Hong Kong	**406**
As at 31 December 2012	
Available –for-sales financial assets:	
Listed equity securities in Hong Kong	20

There were no transfers between Level 1 and 2 and 3 for the year ended 31 December 2013 and 2012.

All of the financial instruments carried at fair value are value using quoted bid prices in an active market.

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximately their fair value.

(d) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of debt and equity balance. The Group's overall strategy remains unchanged from 2012.

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

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

	2013 HK$'000	2012 HK$'000
Debt (i)	39,529	47,020
Less: Cash at bank and on hand (note 27)	(74,343)	(28,202)
Net debt	(34,814)	18,818
Equity (ii)	245,922	1,119,764
Net debt to equity ratio	N/A	1.68%

(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:

— During year ended 31 December 2013, the Group sold 25% of entire issued share capital of I-Century Limited. The holders of the Promissory Notes agrees the Group to cancelled the Promissory Notes as part of the consideration for the Group to dispose I-Century Limited to the holder of Promissory Note.

— During year ended 31 December 2012, 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.

— During year ended 31 December 2012, the Group acquired 55% of the issued share capital of Most Idea Limited at a consideration HK$88,700,00, all of the consideration were satisfied by the issue of convertible notes (the "Convertible Note"), detail of the acquisition is set out in note 38(b).

42. FINANCING FACILITIES

The Group

	2013 HK$'000	2012 HK$'000
Secured bank borrowings facilities:		
Amount utilised	39,529	47,020
Amount unutilised	—	—
	39,529	47,020

The Group did not have Documentary Credit facilities as at 31 December 2012 and 2013.

43. CONTINGENT LIABILITIES

The Group

As at 31 December 2013, the Group had no contingent liabilities (2012: Nil).

The Company

The carrying amount of the financial guarantee contract recognised in the balance was approximately HK$24,000 (2012: HK$24,000) as at 31 December 2013. 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 1 year (2012: 1 to 2 years). The Group does not have an option to purchase the land and building at the expiry of the lease periods.

44. OPERATING LEASE ARRANGEMENTS (Continued)

The Group as lessee (Continued)

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	
	2013	2012
	HK$'000	HK$'000
Within one year	**966**	183
Within two to five years	**—**	122
	966	305

The Group as lessor

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

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

	Properties	
	2013	2012
	HK$'000	HK$'000
Within one year	**1,745**	3,193
Within two to five years	**3,760**	6,535
	5,505	9,728

45. COMMITMENTS FOR EXPENDITURE

The Group did not have capital commitment as at 31 December 2013 and 2012.

46. EMPLOYEE SHARE-BASED COMPENSATION RESERVE

	2013 HK$'000	2012 HK$'000
As at the beginning of the year	8,780	21,161
Exercise/cancellation/lapse of share options	(3,710)	(12,381)
As at the end of the year	5,070	8,780

(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.

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.

All of the above said of options were lapsed.

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.

46. EMPLOYEE SHARE-BASED COMPENSATION RESERVE (Continued)

(a) (Continued)

During the year ended 31 December 2013 and 2012, 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.

(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			
	2013		2012		2013		2012	
	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**	**1,840,000**	HK$8.21	2,250,000	**34.5p**	**35,000**	50.24p	2,835,000
Lapsed	**HK$8.21**	**(780,000)**	HK$8.21	(410,000)	**34.5p**	**(35,000)**	51.30p	(2,800,000)
Outstanding as at the end of the year	**HK$8.21**	**1,060,000**	HK$8.21	1,840,000	**–**	**–**	34.5p	35,000

As at 31 December 2013, 1,060,000 (2012: 1,840,000) share options were outstanding with a weighted average exercise price of HK$8.21 (2012: HK$8.21) under the Post Listing Scheme and no (2012: 35,000) share options were outstanding with a weighted average exercise price of 34.50 pence (2012: 34.50 pence) under Share Option Scheme.

(c) As at 31 December 2013 and 31 December 2012, outstanding share options have the following remaining contractual lives and exercise prices:

	2013		2012	
Exercise price	**Remaining contractual life**	**Number of options**	Remaining contractual life	Number of options
Share Option Scheme				
64.25p	**–**	**–**	3.75 years	35,000
Post Listing Scheme				
HK$8.21	**6.30 years**	**1,060,000**	7.30 years	1,840,000

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 consolidated financial statements, the Group had the following significant related party transactions:

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

	2013 HK$'000	2012 HK$'000
Salaries and bonus	**2,153**	2,944
Retirement scheme contribution	**61**	—
Employee share option benefits	**—**	—
	2,214	2,944

(b) As at 31 December 2013 and 2012, the Company acted as a guarantor of its subsidiaries to secure interest-bearing borrowings.

48. CONVERTIBLE NOTES

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"), details is set out in note 38(b). The Convertible Note mature at the date falling 3 years from the date of issue of the Convertible Notes. 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 components 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 notes 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

On 13 March 2014, the Board announced that after trading hours, Bio Tag International Limited, a wholly-owned subsidiary of the Company (the "Purchaser") and Wealthy Zone Limited, a company incorporated in the British Virgin Islands with limited liabilities (the "Vendor") entered into the sale and purchase agreement, pursuant to which, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell, the 37,000 ordinary shares of US$1.00 each in Easy Ideas Limited, a company incorporated in the British Virgin Islands with limited liabilities (the "Target"), representing 74% of the issued share capital of the Target for a total consideration of HK$69,560,000.

50. AUTHORISATION FOR ISSUE OF CONSOLIDATION FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 28 March 2014.

Shareholders Information

STOCK SYMBOLS

The Company's ordinary shares trade under the following stock symbols as of the Latest Practicable Date prior to printing this report:

AIM of LSE	RCG
ISDX	RCG
HKSE	802

SHAREHOLDERS PROFILE (AS AT 31 DECEMBER 2013)

Shareholding (Shares)	Number of Shareholders
0–1,000	27
1,001–5,000	8
5,001–10,000	8
10,001–50,000	7
50,001–100,000	0
100,001–200,000	1
200,001–500,000	2
500,001 and above	2*

* 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)
2013				
April	2.50	2.25	2.38	2.39
May	2.88	2.38	2.88	2.47
June	2.48	2.88	2.88	2.88
July	2.88	2.88	2.88	2.88
August	2.88	2.38	2.38	2.80
September	2.38	2.25	2.25	2.26
October	2.75	1.75	2.75	2.40
November	2.63	2.50	2.50	2.51
December	2.50	2.13	2.13	2.47
2014				
January	2.50	2.00	2.38	2.27
February	2.38	2.00	2.38	2.15
March	2.50	2.38	2.38	2.41
April (up to and including the Latest Practicable Date)	2.38	2.13	2.38	2.33

SHARE PRICE (Continued)

HKSE

	High (HK$)	Low (HK$)	Month End (HK$)	Average Closing (HK$)
2013				
April	0.440	0.340	0.390	0.393
May	0.480	0.355	0.430	0.410
June	0.440	0.335	0.370	0.383
July	0.470	0.345	0.360	0.377
August	0.375	0.305	0.305	0.335
September	0.370	0.275	0.290	0.298
October	0.480	0.285	0.405	0.364
November	0.435	0.360	0.375	0.391
December	0.415	0.340	0.350	0.378
2014				
January	0.390	0.320	0.320	0.349
February	0.360	0.305	0.320	0.327
March	0.430	0.315	0.355	0.364
April (up to and including the Latest Practicable Date)	0.365	0.330	0.330	0.342

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The Register of Members of the Company will be closed from Tuesday, 24 June 2014 to Friday, 27 June 2014, both days inclusive, during which period no transfer of ordinary shares will be effected. The 2014 AGM will be held at Lot 1, Jalan Teknologi 3/5, Taman Sains Selangor 1, Kota Damansara, Petaling Jaya, Selangor, Malaysia on 27 June 2014 at 4:00 p.m. (HK time).

SHAREHOLDER ENQUIRIES AND COMMUNICATIONS

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

Principal share registrar in Bermuda
MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM11
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 2013, and other information on RCG, may be reviewed on RCG's website: www.rcg.tv and RCG's investor relations webpage: www.rcg.todayir.com

Corporate Information

DIRECTORS

Executive Directors:

Mr. Li Jinglong
Mr. Zhang Ligong
Mr. Wang Zhongling *(Chief Executive Officer)*

Independent Non-executive Directors:

Mr. Liu Wen *(Chairman)*
Mr. Kwan King Wah
Mr. Zeng Min

COMPANY SECRETARY

Mr. Lo Wah Wai

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS OUTSIDE HONG KONG AND HEADQUARTERS

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

WEBSITE

www.rcg.tv

WEBPAGE

www.rcg.todayir.com

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM11
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

COMPLIANCE ADVISER (FOR HKSE)

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

NOMINATED ADVISER (FOR AIM)

Smith & Williamson Corporate Finance Limited
25 Moorgate
London EC2R 6AY
United Kingdom

STOCKBROKERS (FOR AIM)

Smith & Williamson Corporate Finance Limited
25 Moorgate
London EC2R 6AY
United Kingdom

UK LEGAL ADVISERS

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

HONG KONG LEGAL ADVISERS

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

BERMUDA LEGAL ADVISERS

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

REGISTERED AUDITORS

HLB Hodgson Impey Cheng Limited
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 4:00 p.m. on 27 June 2014 (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"	11 April 2014;
"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; 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.

Annual Report 2013

RCG

RCG Holdings Limited

宏霸數碼集團(控股)有限公司*