RCG

RCG Holdings Limited

宏霸數碼集團(控股)有限公司*

(Incorporated in Bermuda with limited liability)

HKSE: 802

ANNUAL REPORT 2014

* 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.

CONTENTS

Five Year Financial Summary

	For the year ended 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Turnover	**31,847**	466,280	1,022,625	1,385,288	3,025,919
Loss for the year	**(130,246)**	(942,124)	(1,846,088)	(1,550,774)	(6,974)
Attributable to:					
Owners of the Company	**(115,556)**	(935,625)	(1,874,373)	(1,354,937)	72,859
Non-controlling interests	**(14,690)**	(6,499)	28,285	(195,837)	(79,833)
	(130,246)	(942,124)	(1,846,088)	(1,550,774)	(6,974)
Basic (loss)/earnings per share (note)	**HK$(0.13)**	HK$(1.33)	HK$(3.15)	HK$(3.24)	HK$0.26
Dividends per share	**—**	—	—	—	—

	As at 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**346,570**	391,710	1,330,590	3,035,889	4,699,812
Total liabilities	**(108,081)**	(113,643)	(172,182)	(162,164)	(463,189)
	238,489	278,067	1,158,408	2,873,725	4,236,623
Equity attributable to owners of the Company	**206,532**	245,922	1,119,764	2,902,644	4,054,626
Non-controlling interests	**31,957**	32,145	38,644	(28,919)	181,997
	238,489	278,067	1,158,408	2,873,725	4,236,623

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 2014 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 of Directors, I am pleased to present the Group's annual results for the year ended 31 December 2014, which consists of reporting on the activities, results and strategies of RCG.

BUSINESS ENVIRONMENT

Despite being influenced by the falling commodity prices, the economic dynamics in Asia continued to be improving. Factors such as, regional accommodative monetary policy and quantitative easing programs in Europe and China, are expected to support growth in Asia, coupled with the healthy growth in the United States. In this environment, the Company continued to strive for improvement and sustainability.

FINANCIAL AND BUSINESS REVIEW

For the 2014 financial year, the Group reported total revenue of HK$31.8 million, which represents a reduction of 93.2% compared to the financial year of 2013. The key contributor to the Group in terms of turnover is the Internet & Mobile's Application & Related Accessories segment.

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

30 March 2015

BUSINESS REVIEW

This financial year of 2014, the Group recorded turnover of HK$31.8 million, representing a decrease of 93.2% compared to the same period in 2013. The decrease in turnover was attributable to strategic delay in projects implementations and the winding down in commodities trading, whilst continuing diversification into NFC market.

Gross margin improved approximately 100.2% in 2014, compared to a gross loss of 227.5 million in the same period in 2013 due to better performance of its business units. The Group reported a net loss of HK$130.2 million for the year ended 31 December 2014.

Performance of business segments

The Group is 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**", "I**nternet and Mobile Applications and Related Accessories**" and "**Commodities Trading**".

The Group continues to believe that the "**Internet and Mobile Applications and Related Accessories**" segment as a key growth area, in-line with the rapid growth of the mobile and gaming industry and in particular in Online gaming, Utilities Applications for IOS and Androids 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. The Group will wind down the business of commodities trading and allocate its resources to other business segments.

	Year ended 31 December				HK$ y-o-y growth
	2014		2013		
Business Segment	HK$ m	%	HK$ m	%	%
Trading of Security and Biometric Products	**3.4**	**10.7**	152.6	32.7	–97.8
Solutions, Projects and Services	**–**	**–**	0.5	0.1	–100.0
Internet and Mobile Applications and Related Accessories	**28.4**	**89.3**	55.1	11.8	–48.5
Commodities Trading	**–**	**–**	258.1	55.4	–100.0
Total Revenue	**31.8**	**100.0**	466.3	100.0	–93.2

The key contributor to the Group's turnover as at 31 December 2014 was the Internet and Mobile Applications and Related Accessories segment which contributed 89.3% of total turnover. Following that, revenue from the Trading of Security and Biometric Products segment in the financial year ended 31 December 2014 was HK$3.4 million. This segment experienced a 97.8% decrease compared to HK$152.6 million in the same period in 2013 due to, the strategic delay in projects implementations and the winding down in commodities trading, whilst continuing diversification into NFC market.

The Solutions, Projects and Services business segment has no revenue contribution in this period, compared to HK$0.5 million in the financial year ended 31 December 2014. The non-contribution was attributable to the cautious steps taken to strategically delayed projects implementation with expectation of delay in collections due to the uncertain market conditions in areas of its operations.

Geographical performance

In year 2014, the Group focus its business in Hong Kong. The Group continued to work with partners and distributors around the region. The majority of the Group's revenues are generated from these regions.

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

Geographical Segment	Year ended 31 December 2014 HK$ m	2014 %	2013 HK$ m	2013 %	HK$ y-o-y growth %
Hong Kong	23.8	74.8	378.9	81.3	–93.7
Other Asian Countries	8.0	25.2	87.4	18.7	–90.8
Total Revenue	31.8	100.0	466.3	100.0	–93.2

Hong Kong had a decrease from HK$378.9 million in the financial year ended 31 December 2013 to HK$23.8 million in the financial year ended 31 December 2014. The majority of the revenue in Hong Kong was derived from Internet and Mobile Applications and related Accessories segment.

Other Asian Countries region had a decrease from HK$87.4 million in the financial year ended 31 December 2013 to HK$8.0 million in the financial year ended 31 December 2014. The majority of the revenue in Other Asian Countries region was derived from Trading of Security & Biometric Products.

Acquisition

On 13 March 2014, the Board announced that, BioTag 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 premised on a fair value of HK$67,342,000.

The total consideration paid by cash of HK$9,560,000 and promissory note at fair value of HK$57,782,000.

The fair value of promissory note was determined base on discounted cash flows and reference to the valuation report issue by an independent valuer.

Disposal

On 15 April 2014, the Board announced that, the RCG Land Sdn. Bhd. (the "Vendor 2"), an indirect wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with Pertubuhan Peladang Kebangsaan (National Farmers Organisation) (the "Purchaser 2"), an independent third party, pursuant to which, the Vendor 2 has conditionally agreed to sell and the Purchaser 2 has conditionally agreed to purchase an industrial premises comprising a three storey detached factory building with an annexed three storey office building and a guard house with total build-up area of 204,067 square feet erected on that piece of land having an area of 1.3581 hectares (the "Property") at a total consideration of Ringgit Malaysia 59.80 million (approximately HK$142.72 million).

A circular containing, further details of the disposal of the Property (the "Disposal") and a notice convening a special general meeting of the Company (the "SGM") for the purpose of seeking shareholders' approval of the Disposal (the "Circular"), was dispatched to the shareholders of the Company (the "Shareholder(s)") on 24 September 2014.

On 14 October 2014, the Board announced that the Disposal proposed at the SGM was duly passed.

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2014, the Group reported total revenue of HK$31.8 million representing a decrease of 93.2% compared to HK$466.3 million in the same period in 2013. The decrease is due to strategic delay in projects implementations and the winding down in commodities trading, whilst the slow process of diversifying into NFC market coupled with cautious sales control implemented.

Cost of sales

Cost of sales decreased 95.5% from HK$693.8 million in 2013 to HK$31.4 million in the same period in 2014. In terms of percentage of sales, the cost of sales decreased from 148.8% in 2013 to 98.7% in 2014.

Gross profit/(loss) and gross profit margin

Gross profit in 2014 was HK$0.4 million, as compared to gross loss of HK$227.5 million in the same period of 2013 resulting from effective cost control measures implemented.

Other revenue and gains

Other revenue and gains increased from HK$7.2 million during the year of 2013 to HK$12.3 million in the same period of 2014.

Administrative expenses

Administrative expenses decreased by 50.1% from HK$79.0 million in 2013 to HK$39.4 million in the same period in 2014 mainly attributable to lower related administrative expenses.

Selling and distribution costs

Selling and distribution costs decreased by 9.5% from HK$2.1 million in 2013 to HK$1.9 million in the same period in 2014 due to implementation of various cost control measures.

Finance costs

Finance costs increased by 26.3% from HK$3.8 million in 2013 to HK$4.8 million in the same period in 2014.

Loss before taxation

Loss before taxation decreased by 85.5% to HK$137.5 million for the year ended 31 December 2014, compared to a loss before taxation of HK$945.9 million in the same period in 2013. The loss before taxation in year 2014 was attributable to lower margin.

Income tax credit

Income tax credit increased by 92.1% from HK$3.8 million in 2013 to a HK$7.3 million in same period in 2014.

Loss for the period

The Group's loss for the period was HK$130.2 million compared to loss of HK$942.1 million in the same period in 2013.

Loss attributable to owners of the Company

Loss attributable to owners of the Company decreased from a loss of HK$935.6 million in 2013 to a loss of HK$115.6 million in the same period of 2014.

Loss attributable to the non-controlling interests

The loss attributable to the non-controlling interests of HK$14.7 million for the financial year ended 31 December 2014 (in the same period in 2013 the profit attributable to the minority interest was HK$6.5 million).

REVIEW OF THE GROUP'S FINANCIAL POSITION AS AT 31 DECEMBER 2014

Liquidity and capital resources

The Group funds its operations with sales revenue from its operating activities. The Group also has cash inflows from interest income and collections. 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 period under review.

The Group did not incur any capital expenditure during the year of 2014 (compared to HK$Nil in the same period of 2013).

The Group has internal budgeting systems in place to ensure that if and when cash is committed to fund major expenditures there is sufficient cash flow to maintain the Group's daily operations and meet all of its contractual obligations.

As at 31 December 2014, the Group had a term loan facility amounting to HK$Nil secured by the pledging of a Malaysian property.

Save as disclosed above, there were no other charges on assets as at 31 December 2014.

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

	Year ended 31 December	
	2014 HK$'000	2013 HK$'000
Total bank borrowings, secured, repayable within one year	–	9,240
Total bank borrowings, secured, repayable more than one year	–	30,289
Total	–	39,529

The Group had cash and cash equivalents of HK$138.9 million as of 31 December 2014 compared to HK$74.3 million as of 31 December 2013.

Working Capital

Debtors have decreased by 64.1% in 2014 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 business.

Gearing ratio

As at 31 December 2014, the Group's gearing ratio was approximately 0.001x, as compared to 0.161x as at 31 December 2013. The gearing ratio was calculated as the Group's total debt divided by its total capital. Debt of HK$0.1 million is calculated as total borrowings (including current portion of financing obligations amounting HK$0.1 million). Total capital is calculated as total shareholder equity of HK$206.5 million plus debt.

Contingent Liabilities

As at 31 December 2014 and 2013, the Group had no contingent liabilities. The Company acted as a guarantor of its subsidiaries to secure interest-bearing borrowings, which amounting to approximately HK$0.2 million (2013: 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 2014, compared to HK$652,000 as at 31 December 2013. The financial guarantee contract was eliminated on consolidation.

Deposits, prepayments and other receivable

As at 31 December 2014, the Group's deposits, prepayments and other receivable was HK$70.7 million, as compared to HK$54.0 million as at 31 December 2013.

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 2014, in addition to the directors of the Company (the "Directors"), there were approximately 41 employees (31 December 2013: 41) of the Group stationed in the Group's offices in Hong Kong, Beijing and Kuala Lumpur. Total staff costs for the year ended 31 December 2014 were HK$4.7 million, compared with HK$8.7 million in 2013. The saving was attributable to the Group's continuous efforts to reduce its overheads and re-allocate the project resources by increasing collaboration with third party partners, hence reducing the dependency on internal manpower needs.

The Group offers training and development courses for its employees to enhance the staff's working capabilities. Remuneration packages are linked to individual performance, the Group's business performance, and taking into consideration industry practices and 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 had continued the efforts to consolidate and realign its businesses to enabled the Group to achieve improvements in its financial position. The Group will continue to work towards, attaining a stable platform for sustainability and basis for continuous growth. The Group had cash and cash equivalents of HK$138.9 million as of 31 December 2014 compared to HK$74.3 million as of 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 2014.

PRINCIPAL ACTIVITIES

The Company is an investment holding company incorporated in Bermuda with limited liability. The Group is principally engaged in the provision of biometric and RFID products and solution services. There were no changes in the nature of the Group's principal activities during the year. The activities of its principal subsidiaries are set out in note 22 to the consolidated financial statements.

REVIEW OF BUSINESS

In the opinion of the Directors, the future prospects of the Company is promising. A business review can be found in the section of the Management Discussion and Analysis on pages 5 to 9.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2014 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 2014.

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 28 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company did not have reserves available for distribution (2013: approximately HK$75,734,000).

SHARE CAPITAL

Details of movements in the share capital during the year ended 31 December 2014 are set out in note 27 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 2014 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 73% of the Group's total sales for the year and sales to the Group's largest customer amounted to approximately 73%. Purchases from the Group's five largest suppliers accounted for approximately 73% to the Group's total purchases for the year and purchases from the Group's largest supplier amounted to approximately 73%.

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.

Save for Mr. Liu Wen has entered into a service agreement with the Company with no fixed term of services, each of 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 46 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 2014.

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 2014 to 26 September 2015;

b) Mr. Zhang Ligong has renewed the service agreement with the Company for a term of one year commencing from 27 September 2014 to 26 September 2015;

c) Mr. Wang Zhongling has renewed the service agreement with the Company for a term of one year commencing from 13 November 2014 to 12 November 2015; 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 2014 to 26 August 2015.

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 2014, 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 2014, 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	10.41%
Chan Chun Fai (Note 1)	Interest of controlled corporation	104,352,941	—	104,352,941	10.41%
Qin Chuhua (Note 1)	Interest of controlled corporation	104,352,941	—	104,352,941	10.41%
Yang Zhijian (Note 1)	Interest of controlled corporation	104,352,941	—	104,352,941	10.41%
Veron International Limited (Note 2)	Beneficial owner	65,662,832	—	65,662,832	6.55%
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	6.55%
Lam Hok Chung Rainier (Note 2)	Trustee	65,662,832	—	65,662,832	6.55%
Jong Yat Kit (Note 2)	Trustee	65,662,832	—	65,662,832	6.55%
Yu Sai Hung (Note 2)	Trustee	65,662,832	—	65,662,832	6.55%
The Offshore Group Holdings Limited (Note 3)	Beneficial owner	53,515,556	—	53,515,556	5.34%
Chan Chun Chuen (Note 3)	Interest of controlled corporation	53,515,556	—	53,515,556	5.34%
Tam Miu Ching (Note 3)	Spousal interest	53,515,556	—	53,515,556	5.34%

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 2014.

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 2014 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 2014 are as follows:

	Outstanding at 1 January 2014	Granted during the year ended 31 December 2014	Exercised during the year ended 31 December 2014	Lapsed during the year ended 31 December 2014	Cancelled during the year ended 31 December 2014	Outstanding at 31 December 2014	Date of grant	Vesting period	Exercisable period	Exercise price
Other employees										
In aggregate	940,000	–	–	–	–	940,000	29.04.2010	–	29.04.2010–28.03.2017	HK$8.21
	120,000	–	–	80,000	–	40,000	29.04.2010	1 year	29.04.2011–28.04.2020	HK$8.21
Total	1,060,000	–	–	80,000	–	980,000				

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 2014.

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 0.10% 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 100,248,649 shares, representing 10% 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 2014 and up to the date of this annual report, the Company did not grant any option pursuant to the New Share Option 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 12 May 2014, an aggregate of 167,080,000 placing shares have been successfully placed by the placing agent, Tanrich Securities Company Limited to more than six placees at a price of HK$0.27 per placing share, raising gross proceeds of HK$45,111,950.73.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2014.

Placing

On 28 April 2014, the Company entered into the placing agreement with Tanrich Securities Company Limited (the "Placing Agent"), pursuant to which the Company has conditionally agreed to place, through the Placing Agent, up to a maximum of 167,081,299 new ordinary shares of HK$0.01 each in the capital of the Company (the "Placing Share(s)"), on a best effort basis to not fewer than six independent placees at a price of HK$0.27 per Placing Share (the "Placing Price") (the "Placing"). The Placing Price was determined after arm's length negotiations between the Company and the Placing Agent taking into account (i) the market sentiment; (ii) the financial results and future prospects of the Company; and (iii) the performance of the shares of the Company (the "Share(s)") and its outlook to the potential investors.

The closing price per ordinary share as quoted on the HKSE on 28 April 2014, being the last full trading day prior to the date of the placing agreement was HK$0.3050. The net price for each Placing Share was approximately HK$0.2633.

The Directors (including the independent non-executive Directors) considered that as a result of the Placing, the Company can improve liquidity in Share trading, broaden its Shareholders' base and strengthen the Company's financial position. The Directors (including the independent non-executive Directors) considered that the terms of the Placing were normal commercial terms and were fair and reasonable, as far as the Company and the Shareholders were concerned, and the Placing was in the interests of the Company and the Shareholders as a whole.

The Placing Shares represent approximately 20.00% of the existing issued share capital of the Company and approximately 16.67% of the issued share capital of the Company as enlarged by the issue of 167,081,299 Placing Shares. The Placing is conditional under the Listing Committee of the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the Placing Shares. The Placing Shares were allotted and issued pursuant to the general mandate granted by the Shareholders to the Directors at the special general meeting of the Company held on 17 January 2014 to allot, issue and deal with up to 20 per cent of the aggregate nominal value of the Shares in issue and the Placing is not subject to Shareholders' approval.

On 12 May 2014, the Board announced that the Placing was completed. An aggregate of 167,080,000 Placing Shares have been successfully placed to more than six placees at a price of HK$0.27 per Placing Share, raising gross proceeds of approximately HK$45,112,000. The net proceeds from the Placing amount to approximately HK$43,993,000 which would be used to meet the Company's financial obligations over the newly acquired business and any residual funding are for pursuing other new business opportunities and/or for general working capital.

Details of the above transaction were published in the Company's announcements dated 28 April 2014 and 12 May 2014.

Set out below is a summary of the equity fund-raising exercise conducted by the Company for the year ended 31 December 2014:

Date of announcement	Description	Approximate net amount raised	Number of Shares issued	Percentage of share capital as at 31 December 2014	Proposed use of proceeds	Actual use of proceeds
12 May 2014	Issuance of 167 million Shares under a Placing agreement signed between the Company and the Placing agent on 28 April 2014 at a price of HK$0.27	HK$43,992,506.03	167,080,000	16.67%	To meet the Company's financial obligations over the newly acquired business and any residual funding are for pursuing other new business opportunities and/or for general working capital	50% of the proceeds had remained unutilised as the amount had been earmarked for part payment on the acquisition of 74% issued share capital of Easy Ideas Limited premised on announcement made by the Company on 13 March 2014; while the remaining 50% had been utilised as general working capital

CANCELLATION OF ADMISSION OF THE COMPANY'S SHARES TO TRADING ON AIM

On 3 June 2014, the Board announced that the Company intended to seek the approval from the Shareholders at the annual general meeting of the Company held on 27 June 2014 for a special resolution to cancel the admission of the ordinary shares of HK$0.01 each in the capital of the Company to trading on AIM, a market operated by London Stock Exchange plc, (the "Cancellation'') and that the Company's directors and officers, or persons authorised by the directors of the Company, be authorised and directed to execute all documents and take all necessary actions in connection with the Cancellation.

On 27 June 2014, the Board announced that the above special resolution was duly passed.

DISCLOSEABLE TRANSACTIONS

Acquisition

On 13 March 2014, the Board announced that, BioTag 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).

Disposals

On 15 April 2014, the Board announced that, the RCG Land Sdn. Bhd. (the "Vendor 2"), an indirect wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with Pertubuhan Peladang Kebangsaan (National Farmers Organisation) (the "Purchaser 2"), an independent third party, pursuant to which, the Vendor 2 has conditionally agreed to sell and the Purchaser 2 has conditionally agreed to purchase an industrial premises comprising a three storey detached factory building with an annexed three storey office building and a guard house with total build-up area of 204,067 square feet erected on that piece of land having an area of 1.3581 hectares (the "Property") at a total consideration of RM59.80 million (approximately HK$142.72 million).

A circular containing, further details of the disposal of the Property (the "Disposal") and a notice convening a special general meeting of the Company (the "SGM") for the purpose of seeking shareholders' approval of the Disposal (the "Circular"), was dispatched to the shareholders of the Company (the "Shareholder(s)") on 24 September 2014.

On 14 October 2014, the Board announced that the Disposal proposed at the SGM was duly passed.

CONNECTED TRANSACTIONS

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

EVENT AFTER THE YEAR END

Memorandum of Understanding

On 12 February 2015 (after trading hours), the Board announced that a memorandum of understanding (the "Memorandum of Understanding") was entered into between a subsidiary of the Company (the "Subscriber") as subscriber and Azooca Incorporation (the "Azooca") as issuer in relation to the proposed subscription (the "Proposed Subscription") of part of the equity interest of Azooca. To the best knowledge of the Directors, Azooca Incorporation is incorporated in the United States of America and is principally engaged in mobile interactive game system using technologies including RFID and Bluetooth.

Save for the clause on exclusivity, confidentiality, the terms and the governing law of the Memorandum of Understanding, the Memorandum of Understanding was not legally binding on the parties thereto. After signing of the Memorandum of Understanding, the parties thereto shall enter into good faith negotiation for the formal legally-binding subscription agreement (the "Formal Agreement") relating to the Proposed Subscription and other matters relating to the Proposed Subscription, and the provisions of the Memorandum of Understanding shall form the basis for the preparation of the Formal Agreement.

The consideration for the Proposed Subscription shall be subject to negotiation and agreement between the Subscriber and Azooca upon acceptance of the due diligence review on Azooca by the Subscriber.

Term

The Memorandum of Understanding will remain in effect for six months (or such longer period as the Subscriber and Azooca may mutually agree to in writing) unless either party gives a written notice to the other party of its intention to abandon further negotiations, or until superseded by the execution of Formal Agreement in relation to the transaction contemplated hereunder, whichever is the earlier.

Details of the above Memorandum of Understanding were published in the Company's announcement dated 12 February 2015.

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 20 to 26.

CHARITABLE CONTRIBUTIONS

During the year under review, the Group did not make charitable contribution (2013: Nil).

AUDITORS

The accounts for the year ended 31 December 2014 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

30 March 2015

During the year ended 31 December 2014, 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 2014.

CODE FOR DIRECTORS' DEALINGS

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
Independent Non-executive Directors:	
Liu Wen *(Chairman)*	4/4
Kwan King Wah	4/4
Zeng Min	4/4

GENERAL MEETINGS

During the year under review, the Company convened three annual general meetings including an annual general meeting of the Company held on 27 June 2014 and two special general meetings of the Company held on 17 January 2014 and 14 October 2014 respectively. The attendance record is set out below:

Names of the Directors	Directors' Attendance
Executive Directors:	
Li Jinglong	3/3
Zhang Ligong	3/3
Wang Zhongling *(Chief Executive Officer)*	3/3
Independent Non-executive Directors:	
Liu Wen *(Chairman)* (appointed on 7 March 2014)	2/2
Kwan King Wah	3/3
Zeng Min	3/3
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.

Save for Mr. Liu Wen has entered into a service agreement with the Company with no fixed term of services, each of independent non-executive Directors has entered into a formal appointment letter with the Company for a term of one year subject to termination by either party giving the other not less than three months' prior written notice.

In accordance with bye-law 87(1) of the Bye-laws, all Directors (including executive Directors and independent non-executive Directors) are subject to retirement by rotation at least once every three years. This year, in accordance with bye-law 87(1) of the Bye-laws, Mr. Li Jinglong and Mr. Wang Zhongling 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.

During the year under review, Mr. Liu Wen is the independent non-executive chairman of the Company and chairman of the nomination committee of the Company and Mr. Wang Zhongling, an existing executive Director, is the Company's CEO. The two positions are held by two separate individuals to ensure their respective independence, accountability and responsibility.

BOARD COMMITTEES

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

Remuneration Committee

The Company established a remuneration committee (the "Remuneration Committee") on 28 June 2004 with written terms of reference, which was revised on 28 March 2012, in compliance with the CG Code. The primary function of the Remuneration Committee is to review the remuneration packages of all the Directors and the senior management.

The Remuneration Committee constitutes Mr. Zeng Min, an independent non-executive Director, acting as chairman of the Remuneration Committee with Mr. Liu Wen and Mr. Kwan King Wah, both of them are also independent non-executive director, 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 19 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	1/1
Kwan King Wah	1/1

The number of senior management of the Group whose remuneration for the year ended 31 December 2014 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 Mr. Liu Wen, an independent non-executive Director, as chairman of the Nomination Committee 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)*	1/1
Kwan King Wah	1/1
Zeng Min	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, 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 2014 and the interim consolidated financial statements for the six months ended 30 June 2014, 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	2/2
Zeng Min	2/2

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 2014.

AUDITORS' REMUNERATION

For the year ended 31 December 2014, the remuneration in respect of audit services assignment provided by the auditors of the Company, HLB Hodgson Impey Cheng Limited, amounted to approximately HK$2,000,000.

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 2014, 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 2014 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 55, 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 the Company's annual general meeting at least once every three years in accordance with bye-law 87(1) of the Bye-laws.

Save as disclosed above, there is no 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 47, 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 at the Company's annual general meeting at least once every three years in accordance with bye-law 87(1) of the Bye-laws.

Save as disclosed above, there is no 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 32, was appointed as an executive Director on 13 November 2012 and the chief executive officer of the Company on 2 December 2013. 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 11 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 the Company's annual general meeting at least once every three years in accordance with bye-law 87(1) of the Bye-laws.

Save as disclosed above, there is no 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 DIRECTOR

Liu Wen
Chairman

Mr. Liu Wen, aged 47, 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 will be subject to retirement by rotation at the Company's annual general meeting 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 51, 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 22 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 one Hong Kong private company, namely Pronet Consulting Limited dissolved on 23 May 2014.

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 the Company's annual general meeting at least once every three years in accordance with bye-law 87(1) of the Bye-laws. Save as disclosed above, there is no other emoluments of Mr. 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 43, 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 22 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 the Company's annual general meeting at least once every three years in accordance with bye-law 87(1) of the Bye-laws. Save as disclosed above, there is no other emoluments of Mr. 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 39, joined the Group in 2010 as a financial controller. Prior to joining the Group, Mr. Kenny Sim had over 11 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.

Shen Jing James
Chief Representative of RCG China

Mr. Shen Jing James, aged 52, 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 23 years of experience in sales and development in the information technology industry.

COMPANY SECRETARY

Lo Wah Wai

Mr. Lo, aged 51, 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.

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 115, which comprise the consolidated and the company statements of financial position as at 31 December 2014, 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 2014 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, 30 March 2015

Consolidated Income Statement

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Turnover	8	31,847	466,280
Cost of sales		(31,441)	(693,783)
Gross profit/(loss)		406	(227,503)
Other revenue and gains	9	12,273	7,233
Change on fair value of financial assets at fair value through profit or loss		(8,676)	11,874
Selling and distribution expenses		(1,928)	(2,106)
Administrative expenses		(39,401)	(79,002)
Other operating expenses	10	(95,343)	(652,679)
Loss from operations	10	(132,669)	(942,183)
Finance costs	12	(4,827)	(3,763)
Share of result of associates		—	3
Loss before taxation		(137,496)	(945,943)
Taxation	13	7,250	3,819
Loss for the year		(130,246)	(942,124)
Attributable to:			
Owners of the Company		(115,556)	(935,625)
Non-controlling interests		(14,690)	(6,499)
		(130,246)	(942,124)
Loss per share attributable to owners of the Company			
— Basic and diluted (HK cents)	14	(12.5)	(133.4)

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 2014

	Notes	2014 HK$'000	2013 HK$'000
Loss for the year		(130,246)	(942,124)
Other comprehensive loss for the year			
Items that may be reclassified to profit or loss:			
Available-for-sale financial assets:			
Change in fair value		(355)	(1,814)
Reclassification adjustment upon impairment		39,261	—
Reclassification adjustments upon disposal		—	2,200
		38,906	386
Exchange difference on translating foreign operations			
Exchange differences arising during the year		(6,733)	(4,922)
		32,173	(4,536)
Total comprehensive loss for the year		(98,073)	(946,660)
Attributable to:			
Owners of the Company		(83,383)	(940,161)
Non-controlling interests		(14,690)	(6,499)
		(98,073)	(946,660)

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

Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	1,241	106,251
Prepaid lease payments	17	—	17,736
Goodwill	18	39,667	39,717
Intangible assets	19	87,628	68,600
Available-for-sale financial assets	20	51	406
		128,587	232,710
Current assets			
Prepaid lease payments	17	—	194
Financial assets at fair value through profit or loss	21	3,050	15,606
Inventories	23	—	—
Trade receivables	24	5,317	14,826
Deposits, prepayments and other receivables	25	70,690	54,031
Cash and cash equivalents	26	138,926	74,343
		217,983	159,000
Total assets		346,570	391,710
CAPITAL AND RESERVES			
Share capital	27	10,025	8,354
Reserves	28	196,507	237,568
Equity attributable to owners of the Company		206,532	245,922
Non-controlling interests		31,957	32,145
Total equity		238,489	278,067

	Notes	2014 HK$'000	2013 HK$'000
LIABILITIES			
Non-current liabilities			
Interest-bearing borrowings	29	—	30,289
Deferred tax liabilities	31	5,192	12,013
		5,192	42,302
Current liabilities			
Trade payables	32	6,364	16,054
Accruals and other payables	33	36,388	45,259
Tax payables		716	763
Interest-bearing borrowings	29	—	9,240
Promissory note	35	59,412	—
Obligations under finance leases	30	9	25
		102,889	71,341
Total liabilities		108,081	113,643
Total equity and liabilities		346,570	391,710
Net current assets		115,094	87,659
Total assets less current liabilities		243,681	320,369

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 30 March 2015 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 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	—	—
Investments in subsidiaries	22	30,928	88,724
Available-for-sale financial assets	20	51	406
		30,979	89,130
Current assets			
Amounts due from subsidiaries	22	—	1,427
Deposits, prepayments and other receivables	25	258	225
Cash and cash equivalents	26	3	—
		261	1,652
Total assets		31,240	90,782
CAPITAL AND RESERVES			
Share capital	27	10,025	8,354
Reserves	28	(4,026)	50,775
Equity attributable to owners of the Company		5,999	59,129
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries	36	5,408	4,355
Accruals and other payables	33	19,833	27,298
Total liabilities		25,241	31,653
Total equity and liabilities		31,240	90,782
Net current liabilities		(24,980)	(30,001)
Total assets less current liabilities		5,999	59,129

The financial statements were approved and authorised for issue by the board of directors of the Company on 30 March 2015 and signed on its behalf by:

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

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Available-for-sale securities revaluation reserve HK$'000 (Note 20)	Employee share-based compensation reserve HK$'000	Capital reserve HK$'000	Translation reserve HK$'000	Legal reserve HK$'000	Retained earnings/ (accumulated losses) HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 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 and 1 January 2014	8,354	2,202,868	(38,906)	5,070	(872)	(18,349)	48	(1,912,291)	245,922	32,145	278,067
Loss for the year	—	—	—	—	—	—	—	(115,556)	(115,556)	(14,690)	(130,246)
Other comprehensive loss for the year	—	—	38,906	—	—	(6,733)	—	—	32,173	—	32,173
Total comprehensive loss for the year	—	—	38,906	—	—	(6,733)	—	(115,556)	(83,383)	(14,690)	(98,073)
Acquisition of subsidiaries (Note 37)	—	—	—	—	—	—	—	—	—	14,502	14,502
Lapse of share options	—	—	—	(371)	—	—	—	371	—	—	—
Placing of shares (Note 27)	1,671	42,322	—	—	—	—	—	—	43,993	—	43,993
As at 31 December 2014	10,025	2,245,190	—	4,699	(872)	(25,082)	48	(2,027,476)	206,532	31,957	238,489

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Cash flows from operating activities			
Loss before taxation		(137,496)	(945,943)
Adjustment for:			
Amortisation of intangible assets	19	19,600	19,600
Amortisation of prepaid lease payments	17	48	201
Depreciation	16	1,443	12,159
Gain on disposal of property, plant and equipment	10	(17)	(1,719)
Loss on disposal of buildings and prepaid lease payments	10	10,252	—
Loss on disposal of investment properties	10	—	13,400
Gain on disposal of an associate	9, 34	—	(86)
Loss on disposal of available-for sale financial assets	20	—	2,200
Share of result of associates		—	(3)
Reversal of impairment loss on trade receivables	9	(1,260)	(1,821)
Reversal on provision of obsolete stock	9	(2,695)	—
Written down of inventories	10	—	1,299
Impairment loss on trade receivables	24	678	582,101
Impairment loss on other receivables	10	964	—
Impairment loss on intangible assets	19	18,072	—
Impairment loss on goodwill	18	26,116	22,300
Impairment loss on available-for-sale financial assets	10	39,261	—
Loss/(gain) arising on fair value of financial assets at fair value through profit or loss		8,676	(11,874)
Bank interest income	9	(371)	(273)
Impairment loss on property, plant and equipment	10	—	31,379
Interest expenses on interest-bearing borrowings and bank overdrafts, promissory note and finance leases		4,756	3,648
Operating cash flows before movements in working capital		(11,973)	(273,432)
Decrease in inventories		2,695	385,027
Decrease/(increase) in trade receivables		10,791	(136,129)
Increase in deposits, prepayments and other receivables		(17,621)	(21,034)
Decrease in trade payables		(10,334)	(4,937)
Decrease in accruals and other payables		(11,167)	(30,058)
Cash used in operations		(37,609)	(80,563)
Bank interest income received	9	371	273
Income tax refunded/(paid)		382	(1,874)
Net cash used in operating activities		(36,856)	(82,164)

	Notes	2014 HK$'000	2013 HK$'000
Cash flows from investing activities			
Purchases of property, plant and equipment	16	—	(23)
Net cash paid for acquisition of a subsidiary	37	(8,410)	—
Proceeds from disposal of financial assets at fair value through profit or loss	20	3,880	—
Proceeds from disposal of available-for-sale financial assets		—	20,000
Proceeds from disposal of associates	34	—	3,000
Proceeds from disposal of prepaid lease payments and building		102,549	—
Proceeds from disposal of investment properties		—	45,828
Proceeds from disposal of other property, plant and equipment		135	1,994
Net cash generated from investing activities		98,154	70,799
Cash flows from financing activities			
Interest expenses paid on interest-bearing borrowings and bank overdrafts	12	(2,974)	(3,648)
Issue of new shares		43,993	66,319
Interest-bearing borrowings repaid, net		(39,529)	(4,515)
Repayment of obligations under finance leases		(18)	(212)
Net cash generated from financing activities		1,472	57,944
Net increase in cash and cash equivalents for the year		62,770	46,579
Cash and cash equivalents at beginning of the year		74,171	28,025
Effect of foreign exchange rate changes		1,823	(433)
Cash and cash equivalents at end of the year		138,764	74,171
Analysis of the balances of cash and cash equivalents:			
Cash at bank and on hand		116,220	74,343
Cash at other financial institutions		22,706	—
		138,926	74,343
Less: Fixed deposits		(162)	(172)
Cash and cash equivalents at the end of the year		138,764	74,171

1. CORPORATE INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company is located at Lot 1, Jalan Teknologi 3/5, Taman Sains Selangor 1. Kota Damansara, Petaling Jaya, Selangor, Malaysia. The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 22.

2. STATEMENT OF COMPLIANCE

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of International Financial Reporting Standards ("IFRSs") 2, leasing transactions that are within the scope of International Accounting standards ("IAS") 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

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 IAS, 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 IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 39	Novation of Derivatives and Continuation of HedgeAccounting
IFRIC — Int 21	Levies

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 IFRS 10, IFRS 12 and IAS 27 Investment Entities

The Group has applied the amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities for the first time in the current year. The amendments to IFRS 10 define an investment entity and introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to IFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specially, an entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to IFRS 12 and IAS 27 have been made to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity, the directors of the Company consider that the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

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

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IAS 32 clarify existing application issue relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Amendments to IAS 39 — Novation of Derivatives and Continuation of Hedge Accounting

The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

IFRIC 21 — Levies

IFRIC 21 Levies addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The adoption of the above amendments to IFRSs and the new interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

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 IAS 19	Defined Benefit Plans: Employee Contributions[1]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[6]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle[2]
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle[3]
IFRS 9	Financial Instruments[6]
IFRS 14	Regulatory Deferral Accounts[4]
IFRS 15	Revenue from Contracts with Customers[5]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for first annual IFRS financial statements beginning on or after 1 January 2016
5 Effective for annual periods beginning on or after 1 January 2017
6 Available for application-the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised

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 (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company:

- has power to over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee;
- and has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interest 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.

6. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation (Continued)

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.

(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.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after 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.

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.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Business combinations (Continued)

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 (Continued)

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	33⅓%
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.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Prepaid lease payments

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

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

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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).

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the cost of purchase on a weighted average basis. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Foreign currencies

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

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Foreign currencies (Continued)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Hong Kong dollars using exchange rates prevailing at the end of the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such exchange differences are recognised in the income statement in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing date.

(l) Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Taxation (Continued)

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.

(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.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial instruments (Continued)

Financial assets

The Group's financial assets are classified into the 'financial assets at fair value through profit or loss'(FVTPL), 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through profit or loss (Continued)

Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

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

Fair value is determined in the manner described in note 39(c).

AFS 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 39 (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.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial instruments (Continued)

Financial assets (Continued)

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.

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.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial instruments (Continued)

Impairment of financial assets (Continued)

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.

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.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial instruments (Continued)

Derecognition of financial assets (Continued)

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.

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.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and other short-term highly liquid investments that are directly convertible to a known amount of cash and are insignificant risk of change in value.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(q) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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 party 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:

7. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Estimated impairment of goodwill

The management of the Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 6(c). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The management would refer to the valuation performed by independent qualified valuers. In performing the valuation, the valuers have based on method of valuation which involves certain estimates and assumptions.

(b) Useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be 3–5 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.

7. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(f) Fair value of financial instruments

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

(g) Impairment of intangible assets

The directors of the Company reconsidered the recoverability of the Group's intangible assets "logo", "contract rights", "product development and design", "mobile applications software and technology" and "brand name and distribution networks". 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 considered the recoverability of the Group's available-for-sale financial assets. by its the recoverable amount of the available-for-sale financial assets which have been determined based on fair value which derived from quoted bid prices in the market. When the fair value of available-for-sales financial assets decrease, the directors required to uses its judgements to consider whether the decrease in fair value is significant and prolonged and recognised the impairment.

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;

— 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;

8. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

— 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	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Turnover												
— external sales	3,445	152,557	–	443	28,402	55,145	–	258,135	–	–	31,847	466,280
Segment results	(329)	(233,992)	–	403	735	5,260	–	826	–	–	406	(227,503)
Unallocated other operating income									12,273	7,233	12,273	7,233
Change on fair value of financial assets at fair value through profit or loss									(8,676)	11,874	(8,676)	11,874
Depreciation	–	(4,843)	(428)	(1,301)	(352)	(352)	–	–	(663)	(5,663)	(1,443)	(12,159)
Amortisation of prepaid lease payments	–	–	–	–	–	–	–	–	(48)	(201)	(48)	(201)
Amortisation of intangible assets	–	–	–	–	(19,600)	(19,600)	–	–	–	–	(19,600)	(19,600)
Impairment loss on other receivables	–	–	–	–	–	–	–	–	(964)	–	(964)	–
Impairment loss on trade receivables	(5)	(582,101)	–	–	–	–	(623)	–	–	–	(678)	(582,101)
Impairment loss on goodwill	–	–	–	–	(26,116)	(22,300)	–	–	–	–	(26,116)	(22,300)
Impairment loss on intangible assets	–	–	–	–	(18,072)	–	–	–	–	–	(18,072)	–
Written down of obsolete inventories									–	(1,299)	–	(1,299)
Unallocated expenses									(30,490)	(96,124)	(30,490)	(96,124)
Finance costs									(4,827)	(3,763)	(4,827)	(3,763)
Loss before taxation									(72,703)	(87,943)	(137,496)	(945,943)
Taxation									7,250	3,819	7,250	3,819
Loss for the year									(65,453)	(84,124)	(130,246)	(942,124)
Segment assets	752	78	–	–	131,861	123,064	–	–	213,957	268,568	346,570	391,710
Segment liabilities	6,272	12,093	–	–	58	3,927	–	–	101,751	97,623	108,081	113,643
Other segment information:												
Share of loss of associates	–	–	–	–	–	–	–	–	–	3	–	3
Depreciation	–	(4,843)	(428)	(1,301)	(352)	(352)	–	–	(663)	(5,663)	(1,443)	(12,159)
Amortisation of prepaid lease payments	–	–	–	–	–	–	–	–	(48)	(201)	(48)	(201)
Amortisation of intangible assets	–	–	–	–	(19,600)	(19,600)	–	–	–	–	(19,600)	(19,600)
Impairment loss on other receivables	–	–	–	–	–	–	–	–	(964)	–	(964)	–
Impairment loss on trade receivables	(5)	(582,101)	–	–	–	–	(623)	–	–	–	(678)	(582,101)
Impairment loss on goodwill	–	–	–	–	(26,116)	(22,300)	–	–	–	–	(26,116)	(22,300)
Impairment loss on intangible assets	–	–	–	–	(18,072)	–	–	–	–	–	(18,072)	–

8. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

Revenue from major products and services

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

	2014 HK$'000	2013 HK$'000
Trading of Security & Biometric Products		
Consumer products	3,445	1,384
Enterprise products	—	151,173
Solutions, Projects and Services		
RFID solutions	—	443
Internet & Mobile's Application & Related Accessories	28,402	55,145
Commodities Trading	—	258,135
	31,847	466,280

Geographical information

The Group operates in two principal geographical areas — Hong Kong and Other Asian Countries. 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

	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Hong Kong	23,829	378,897	714	(110,691)
Other Asian Countries	8,018	87,383	(308)	(116,812)
	31,847	466,280	406	(227,503)

	Segment assets		Segment liabilities		Additions to non-current assets		Amortisation and deprecation	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Hong Kong	219,697	211,605	96,023	56,154	—	—	20,043	28,040
Other Asian Countries	126,873	180,105	12,058	57,489	—	—	1,048	3,920
	346,570	391,710	108,081	113,643	—	—	21,091	31,960

8. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

Information about major customers

The Group's customer base includes 1 (2013: 4) customer with whom transactions have individually exceeded 10% of the Group's revenue during the year ended 31 December 2014.

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

	2014 HK$'000	2013 HK$'000
Customer A (Note)	—	76,333
Customer B (Note)	—	74,710
Customer C (Note)	—	62,045
Customer D (Note)	—	53,813
Customer E	23,179	—
	23,179	266,901

Note: No information on revenue for the current year is disclosed for these customers since none of them contributed 10% or more to the Group's revenue for the year ended 31 December 2014.

9. OTHER REVENUE AND GAINS

	2014 HK$'000	2013 HK$'000
Other revenue		
Bank interest income	371	273
Rental income	2,472	2,575
Sundry income	5,280	759
	8,123	3,607
Other gains		
Reversal of impairment loss on trade receivables	1,260	1,821
Gain on disposal of property, plant and equipment	17	1,719
Reversal on provision of obsolete stock	2,695	—
Exchange gain	178	—
Gain on disposal of an associate	—	86
	4,150	3,626
Total	12,273	7,233

10. LOSS FROM OPERATIONS

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

	Notes	2014 HK$'000	2013 HK$'000
Depreciation			
— Owned assets		1,423	12,091
— Assets held under finance leases		20	68
	16	1,443	12,159
Cost of inventories sold		26,158	686,474
Amortisation of prepaid lease payments	17	48	201
Amortisation of intangible assets	19	19,600	19,600
Impairment loss on property, plant and equipment		—	31,379
Gain on disposal of property, plant and equipment	9	(17)	(1,719)
Loss on disposal of building and prepaid lease payments*		10,252	—
Loss on disposal of investment properties*		—	13,400
Impairment loss on trade receivables*	24	678	582,101
Impairment loss on other receivables*		964	—
Impairment loss on available-for-sale financial assets*	20	39,261	—
Impairment loss on intangible assets*	19	18,072	—
Loss on disposal of available-for-sale financial assets*		—	2,200
Impairment loss on goodwill*	18	26,116	22,300
Written down of inventories*		—	1,299
Foreign exchange (gain)/loss#		(178)	2,542
Auditors' remuneration			
— Audit services		2,000	6,000
— Other services		—	1,000
Operating lease rentals in respect of premises		1,692	1,641
Staff costs, including directors' remuneration	11	4,741	8,698

* Items included in other operating expenses

\# Amount included in other revenue and gains (2013: 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	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Chief executive officer and executive director										
Wang Zhongling[1]	240	249	–	–	–	–	–	–	240	249
Acting chief executive officer										
Danny Chew Tean[2]	–	–	–	500	–	–	–	–	–	500
Executive directors:										
Li Jinglong	180	180	–	–	–	–	–	–	180	180
Zhang Ligong	180	180	–	–	–	–	–	–	180	180
	360	360	–	–	–	–	–	–	360	360
Non-executive director										
Tan Sri Dato' Nik Hashim Bin Nik Ab. Raham[3]	–	132	–	–	–	–	–	–	–	132
Independent non-executive directors:										
Pieter Lambert Diaz Wattimena[4]	48	192	–	–	–	–	–	–	48	192
Liu Wen[5]	150	–	–	–	–	–	–	–	150	–
Kwan King Wah	180	180	–	–	–	–	–	–	180	180
Zeng Ming	180	180	–	–	–	–	–	–	180	180
	558	552	–	–	–	–	–	–	558	552
	1,158	1,293	–	500	–	–	–	–	1,158	1,793

Notes:

1 Appointed as chief executive officer on 1 November 2013
2 Resigned on 1 November 2013
3 Resigned on 19 July 2013
4 Resigned on 7 March 2014
5 Appointed on 7 March 2014

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:

	2014 HK$'000	2013 HK$'000
Salaries and bonus	1,620	2,153
Retirement scheme contribution	61	61
	1,681	2,214

(c) Employee

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

	2014 HK$'000	2013 HK$'000
Wages, salaries and bonus	2,824	6,014
Retirement scheme contribution	152	384
Welfare	84	86
	3,060	6,484

(d) Five highest paid individuals

The five highest paid individuals of the Group include four (2013: four) directors of the Company.

The remuneration paid to the five highest paid individuals (including 1 (2013: 1) individual of senior management) of the Group during the year was as follows:

	2014 HK$'000	2013 HK$'000
Salaries and bonus	1,303	1,301

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

	2014	2013
Nil–HK$1,000,000	5	5

During the year, no emoluments were paid by the Group to the directors, chief executive officer, non-executive director 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

	2014 HK$'000	2013 HK$'000
Bank charges	71	115
Interests on interest-bearing borrowings and bank overdrafts wholly repayable within five years	2,974	3,640
Promissory note (Note 35)	1,780	—
Interest on obligations under finance leases	2	8
	4,827	3,763

13. TAXATION

	2014 HK$'000	2013 HK$'000
Current tax:		
— Hong Kong	64	643
— PRC	—	—
— Malaysia	—	1,257
	64	1,900
Overprovision in prior year		
— Malaysia	(493)	—
Reversal of deferred tax recognised in the current year (Note 31)	(6,821)	(5,719)
	(7,250)	(3,819)

Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the year.

Malaysian Income Tax is calculated at the statutory tax rate of 25% (2013: 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% (2013: 20%) for the year and the amount of chargeable income exceeding Malaysian Ringgit 500,000 is charged at the rate of 25% (2013: 25%) for the year.

Under the Law of PRC on Enterprises Income Tax, the tax rate of the PRC subsidiaries is 25% (2013: 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 2014 and 2013 can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2014 HK$'000	2013 HK$'000
Loss before taxation	(137,496)	(945,943)
Income tax expense calculated at 25% (2013: 25%)	(34,374)	(236,486)
Tax effect of recognised temporary difference	(6,821)	(5,719)
Tax effect of income not taxable for tax purposes	(114)	(2,384)
Tax effect of expenses not deductible for tax purposes	17,887	9,082
Effect of different tax rates of subsidiaries operating in other jurisdictions	10,532	89,314
Effect of estimated tax losses not recognised	5,640	142,374
	(7,250)	(3,819)

14. LOSS PER SHARE

The calculation of basic loss per share for the year is based on the Group's loss attributable to owners of the Company of approximately HK$115,556,000 (2013: net loss of approximately HK$935,625,000) and the weighted average number of ordinary shares in issue during the year of 924,064,044 (2013: 701,325,866).

During the year ended 31 December 2014 and 31 December 2013, 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 2014 and 31 December 2013 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 2014 (2013: 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 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 and 1 January 2014	113,870	51,756	61,651	446	2,000	1,513	39,345	270,581
Acquisition of subsidiaries	—	—	16	—	—	—	—	16
Disposals	(106,633)	(51,028)	(54,244)	(423)	—	(18)	(51)	(212,397)
Exchange alignment	(7,237)	(59)	(219)	(23)	—	(8)	(3)	(7,549)
As at 31 December 2014	—	669	7,204	—	2,000	1,487	39,291	50,651
Accumulated depreciation								
As at 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 and 1 January 2014	9,869	51,170	61,058	446	2,000	452	39,335	164,330
Charge for the year	572	236	313	11	—	302	9	1,443
Disposal	(10,482)	(50,918)	(54,240)	(423)	—	(15)	(50)	(116,128)
Exchange alignment	41	(52)	(181)	(34)	—	(6)	(3)	(235)
As at 31 December 2014	—	436	6,950	—	2,000	733	39,291	49,410
Carrying amount								
As at 31 December 2014	—	233	254	—	—	754	—	1,241
As at 31 December 2013	104,001	586	593	—	—	1,061	10	106,251

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

As at 31 December 2014, the net book value of the Group's motor vehicles included an amount of approximately HK$25,000 (2013: HK$45,000) in respect of assets held under finance leases.

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company

	Furniture, fixtures and equipment HK$'000
Cost	
As at 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	4
Accumulated depreciation	
As at 1 January 2013	3
Charge for the year	1
As at 31 December 2013, 1 January 2014 and 31 December 2014	4
Carrying amount	
As at 31 December 2014	**—**
As at 31 December 2013	—

17. PREPAID LEASE PAYMENTS

The Group

	2014 HK$'000	2013 HK$'000
Cost		
As at the beginning of the year	**19,287**	20,677
Disposal	**(18,062)**	—
Exchange alignment	**(1,225)**	(1,390)
As at the end of the year	**—**	19,287
Accumulated amortisation		
As at the beginning of the year	**1,357**	1,248
Amortisation during the year	**48**	201
Disposal	**(1,412)**	—
Exchange alignment	**7**	(92)
As at the end of the year	**—**	1,357
Carrying amount		
As at the end of the year	**—**	17,930
Land outside Hong Kong held on:		
— Leases of within 1 year	**—**	194
— Leases of later than 1 year and not later than 5 years	**—**	776
— Leases of later than 5 years	**—**	16,960
	—	17,930
Less: current portion	**—**	(194)
	—	17,736
Long term lease (i)	**—**	17,930

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

18. GOODWILL

The Group

	2014 HK$'000	2013 HK$'000
Cost		
As at beginning of the year	186,340	195,296
Additional amounts recognised from business combinations occurred during the year (note 37)	26,066	—
Exchange alignment	(7,902)	(8,956)
As at end of the year	204,504	186,340
Accumulated impairment losses		
As at the beginning of the year	146,623	133,279
Impairment loss recognised during the year (note a & b)	26,116	22,300
Exchange alignment	(7,902)	(8,956)
As at end of the year	164,837	146,623
Carrying amount		
As at end of the year	39,667	39,717

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

	2014 HK$'000	2013 HK$'000
Hyperstore distribution of IT related products and security equipments	—	—
Computer accessories	—	—
Software development	—	—
Home business accessories (note a)	13,601	20,905
Provision of applications on mobile platforms (note b)	—	18,812
Provision of advertising on mobile platforms (note c)	26,066	—
	39,667	39,717

The directors of the Company had assessed the recoverable amount of goodwill as at 31 December 2014 by reference to the valuations as at 31 December 2014 performed by an independent firm of qualified valuer.

18. GOODWILL (CONTINUED)

Note:

(a) The directors of the Company has appointed an independent valuer to perform a business valuation on the CGU of Home business accessories containing goodwill.

For the purpose of impairment testing, the carrying amounts of goodwill after impairment loss, have been allocated to the CGU for Home business accessories are as follows:

	2014 HK$'000	2013 HK$'000
Goodwill	13,601	20,905

The directors of the Company has determined that there is an 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 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 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 24.37% (2013: 21.54%). Cash flows beyond the 5-year period are extrapolated using a 3% (2013: 2.5%) growth rate and the growth rate does not exceed the average long-term growth rate for the industry.

The cash flow projections are prepared base on the expected gross margins determined based on past performance of Home business accessories 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 2014, the impairment loss of goodwill was recognised to the consolidated income statement was approximately HK$7,304,000 (2013: Nil).

The directors of the Company believe that as the CGU of Home business accessories containing goodwill has been reduced to its recoverable amount of approximately HK$13,601,000, any adverse change in assumption used in the calculation of recoverable would result in further losses.

(b) The directors of the Company has appointed an independent valuer to perform a business valuation on the CGU of provision of applications on mobile platforms containing goodwill and intangible assets which was acquired from the business combination during year ended 31 December 2012.

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 19) after impairment loss, have been allocated to the CGU for provision of advertising and entertainment applications on mobile platforms are as follows:

	2014 HK$'000	2013 HK$'000
Goodwill	–	18,812
Mobile application software and technology (Note 19)	30,928	68,600
	30,928	87,412

The directors of the Company has determined that there is an impairment on the goodwill and intangible assets arising from the acquisition of provision of applications on mobile platforms as the recoverable amount of provision of 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.

18. GOODWILL (CONTINUED)

Note:(Continued)

(b) (Continued)

The recoverable amount of provision of 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 13.48% (2013: 21.23%). Cash flows beyond the 5-year period are extrapolated using a 3% (2013: 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 2014, the impairment loss of goodwill and intangible assets was recognised to the consolidated income statement was approximately HK$18,812,000 (2013: HK$22,300,000) and approximately HK$18,072,000 (2013: Nil) (Note 19) respectively.

The directors of the Company believe that as the CGU of provision of applications on mobile platforms containing goodwill has been reduced to its recoverable amount of approximately HK$30,928,000, any adverse change in assumption used in the calculation of recoverable would result in further losses.

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

The recoverable amount of provision of advertising 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 15.87%. Cash flows beyond the 5-year period are extrapolated using a 3% growth rate and the growth rate does not exceed the average long-term growth rate for the industry.

The cash flow projections are prepared based on the expected gross margins determined based on past performance of provision of advertising on mobile platforms 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.

The directors of the Company has appointed an independent valuer to perform a business valuation on the CGU of provision of applications on mobile platforms containing goodwill and intangible assets which was acquired from the business combination during year ended 31 December 2014.

For the purpose of impairment testing, the carrying amounts of goodwill and brand name and distribution network (including in intangible assets set out in note 19) after impairment loss, have been allocated to the CGU for provision of advertising and entertainment applications on mobile platforms are as follows:

	2014 HK$'000	2013 HK$'000
Goodwill	26,066	N/A
Brand name and distribution network	56,800	N/A
	72,866	N/A

19. INTANGIBLE ASSETS

The Group

The movement of intangible assets during the year was as follows:

	Logo	Product development and design	Contract rights	Mobile application software and technology	Brand name and distribution network	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost						
As at 1 January 2013, 31 December 2013 and 1 January 2014	148	629,637	1,199,321	98,000	—	1,927,106
Addition arising from acquisition of subsidiaries (Note 37)	—	—	—	—	56,700	56,700
As at 31 December 2014	148	629,637	1,199,321	98,000	56,700	1,983,806
Accumulated amortisation and impairment						
As at 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 and 1 January 2014	148	629,637	1,199,321	29,400	—	1,858,506
Amortisation for the year	—	—	—	19,600	—	19,600
Impairment loss recognised during the year (note 18(b))	—	—	—	18,072	—	18,072
As at 31 December 2014	148	629,637	1,199,321	67,072	—	1,896,178
Carrying amount						
As at 31 December 2014	**—**	**—**	**—**	**30,928**	**56,700**	**87,628**
As at 31 December 2013	—	—	—	68,600	—	68,600

Amortisation charge of approximately HK$19,600,000 (2013: HK$19,600,000) 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. Approximately HK$18,072,000 impairment loss (2013: HK$Nil) on intangible assets were recognised during the year ended 31 December 2014, detail is set out in note 18(b).

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group and the Company

	2014 HK$'000	2013 HK$'000
Equity securities at fair value:		
Listed outside Hong Kong	51	406

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.

As at 31 December 2014 and 2013, 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.

For the year ended 31 December 2014, an impairment loss of approximately HK$39,261,000 was recognised by reclassification from the equity.

The directors of the Company consider the decrease in the fair value of shares in Spartan was significant and prolonged.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	2014 HK$'000	2013 HK$'000
Held for trading:		
Listed equity securities in Hong Kong	3,050	15,606

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

22. INVESTMENTS IN SUBSIDIARIES

The Company

	2014 HK$'000	2013 HK$'000
Unlisted shares, at cost	88,724	88,724
Amounts due from subsidiaries	2,020,761	1,991,569
Less: Impairment loss recognised	(2,020,761)	(1,990,142)
	–	1,427
	88,724	90,151

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

22. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

For the year ended 31 December 2014 and 2013, the directors of the Company assessed the recoverable amounts of the amounts due from subsidiaries after considering profitability, cash flow position, financial position, forecast business development and future prospects of the subsidiaries. Based on this assessment, the directors of the Company consider that the carrying values of the amounts due from subsidiaries net of the impairment losses recognised, approximated to their recoverable amounts.

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

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

22. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name	Place and date of incorporation or establishment	Ordinary share/ registered capital	Percentage of equity attributable to the Company	Principal activities
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
Biotag International Limited	BVI 29 August 2011	US$2	100%	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
Easy Ideas Limited	BVI 3 January 2012	US$2	74%	Investment holdings
Techno Vision Limited	Hong Kong 14 February 2012	HK$10,000	74%	Computer system developments
盈科創見技(深圳)有限公司*	PRC 9 August 2012	RMB1,000,000	74%	Computer system developments

* Wholly-owned foreign enterprises in the PRC.

23. INVENTORIES

The Group

	2014 HK$'000	2013 HK$'000
Raw materials	38	30
Finished goods and goods for sale	3,102	14,291
	3,140	14,321
Less: Written down of inventories	(3,140)	(14,321)
	–	–

The directors of the Company has assessed the net realisable values and condition of the Group's inventories as at 31 December 2014 and have considered no write-down of obsolete inventories (2013: HK$1,299,000) be made.

During the year ended 31 December 2014, there were sales with respect to written down inventories. As a result, a reversal of written down inventories of approximately HK$2,695,000 has been recognised and included in cost of sales for the year ended 31 December 2014.

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

24. TRADE RECEIVABLES

The Group

	2014 HK$'000	2013 HK$'000
0–30 days	2,172	4,493
31–60 days	2,141	3,472
61–90 days	155	1,769
91–180 days	401	729
Over 180 days	930,315	1,297,220
	935,184	1,307,683
Impairment loss on trade receivables	(929,867)	(1,292,857)
	5,317	14,826

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.

24. TRADE RECEIVABLES (CONTINUED)

The Group (Continued)

Past due but not impaired

Included in the Group's trade receivables balances are debts with carrying amount of HK$448,000 (2013: HK$5,079,000) 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

	2014 HK$'000	2013 HK$'000
Over 180 days	448	5,092

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

	2014 HK$'000	2013 HK$'000
Balance at beginning of the year	1,292,857	741,600
Impairment losses recognised on trade receivables	678	582,101
Impairment losses reversed	(1,260)	(1,821)
Amounts written off during the year as uncollectible	(341,766)	—
Exchange alignment	(20,642)	(29,023)
Balance at end of the year	929,867	1,292,857

For the year ended 31 December 2014 and 2013, the directors of the Company assessed the recoverable amounts of trade receivables, recognised specific impairment losses on trade receivables of approximately HK$678,000 (2013: HK$582,101,000) had been pursued through legal means. The Group does not hold any collateral over these balances.

24. TRADE RECEIVABLES (CONTINUED)

The Group (Continued)

Age of impaired trade receivables

	2014 HK$'000	2013 HK$'000
61–90 days	—	716
91–180 days	—	—
Over 180 days	929,867	1,292,141
	929,867	1,292,857

25. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	The Group		The Company	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Prepayments	34,022	15,817	—	—
Other deposits	647	1,724	258	225
Other receivables	36,021	36,490	—	—
	70,690	54,031	258	225

Other receivable mainly comprise amount receivable for disposal of Xian Hui Investment Limited of approximately HK$12,000,000 (2013:HK$12,000,000) and amount receivable of disposal of I-Century Limited of approximately HK$3,421,000 (2013:HK$16,000,000).

In view of directors of the Company, the amount is still receivable.

26. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2014 HK$,000	2013 HK$,000	2014 HK$,000	2013 HK$,000
Cash at bank and on hand	116,220	74,343	3	—
Cash at other financial institutions	22,706	—	—	—
	138,926	74,343	3	—
Less: Fixed deposits	(162)	(172)	—	—
Cash and cash equivalents	138,764	74,171	3	—

The Group's fixed deposit approximately HK$162,000 (2013: HK$172,000) was pledged to secure the guarantee of the Company's subsidiary.

26. CASH AND CASH EQUIVALENTS (CONTINUED)

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	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Malaysian Ringgit	–	371	–	–
US Dollars	300	974	–	–
Renminbi	–	49,681	–	–

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.

27. SHARE CAPITAL

The Group and the Company

		Number of shares		Share capital	
	Notes	2014	2013	2014 HK$'000	2013 HK$'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		835,406,496	597,576,496	8,354	5,976
Placing of shares	(i) (ii) (iii)	167,080,000	237,830,000	1,671	2,378
At end of the year		1,002,486,496	835,406,496	10,025	8,354

The following movements in the Company's authorised and issued share capital took place during the period from 1 January 2013 to 31 December 2014:

(i) 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.

(ii) 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.

(iii) On 12 May 2014, the Company allotted and issued an aggregate of 167,080,000 shares by way of placing to independent investors at a price of HK$0.25 per share.

28. 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	Accumulated losses HK$'000	Total HK$'000
As at 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 and 1 January 2014	2,202,868	5,070	8,877	(38,906)	(2,127,134)	50,775
Loss for the year	—	—	—	—	(136,029)	(136,029)
Other comprehensive loss for the year	—	—	—	38,906	—	38,906
Total comprehensive loss for the year	—	—	—	38,906	(78,233)	(97,123)
Lapse of share options	—	(371)	—	—	371	—
Placing of share	42,322	—	—	—	—	42,322
As at 31 December 2014	2,245,190	4,699	8,877	—	(2,262,792)	(4,026)

28. RESERVES (CONTINUED)

The Company (Continued)

Notes:

(a) Share premium 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 Company did not have distributable reserves as at 31 December 2014 (2013: HK$75,734,000(including share premium and accumulated losses)).

(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 and 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) Loss attributable to owners of the Company

For the year ended 31 December 2014, net loss of approximately HK$47,614,000 (2013: net loss of approximately HK$26,658,000) has been dealt with in the financial statement of the Company.

29. INTEREST-BEARING BORROWINGS

The Group

	2013 HK$'000
Within one year	9,240
In the second to fifth years	23,600
Over fifth years	6,689
Total borrowings	39,529

Summary of borrowing arrangements

The bank borrowings bear interest at a rate of 5.20% per annum during the year ended 31 December 2013 and 2014.

As at 31 December 2013, the Malaysian Ringgit bank borrowings of approximately HK$39,529,000 were secured by the Group's buildings in Malaysia with carrying values of approximately HK$104,001,000 and land in Malaysia with carrying values of approximately HK$17,930,000 to secure the bank borrowings.

The borrowings fully settled during year ended 31 December 2014.

30. 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 year (2013: 1 year). 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 4.50% (2013: 2.11%) per annum.

The Group

	Minimum lease payments		Present value of minimum lease payments	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Amounts payable under finance leases:				
Within one year	16	25	9	25
In the second to fifth years inclusive	—	—	—	—
	16	25	9	25
Less: Future finance charges	(7)	—	—	—
Present value of finance leases	9	25	9	25
Less: Amount shown under current liabilities			(9)	(25)
Amount shown under non-current liabilities			—	—

31. 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	Total HK$'000
As at 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 and 1 January 2014	11,319	—	694	12,013
Debit to consolidated income statement (note 13)	6,216	—	605	6,821
As at 31 December 2014	5,103	—	89	5,192

32. TRADE PAYABLES

The Group

	2014 HK$'000	2013 HK$'000
0–30 days	—	118
31–60 days	1	3,869
61–90 days	—	—
Over 90 days	6,363	12,067
	6,364	16,054

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.

33. ACCRUALS AND OTHER PAYABLES

	The Group		The Company	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Accruals	22,272	27,025	19,765	25,192
Financial guarantee provision	—	—	24	24
Other payables	14,116	18,234	44	2,082
	36,388	45,259	19,833	27,298

34. GAIN ON DISPOSAL OF AN ASSOCIATE

The Group

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. Detail is set out on 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. PROMISSORY NOTE

The Group

	HK$'000
As at 1 January 2013	10,500
Cancelled by the holder	(10,500)
As at 31 December 2013 and 1 January 2014	—
Acquisition of subsidiaries (Note 37)	57,782
Interest expenses (Note 12)	1,780
Coupon interests	(150)
As at 31 December 2014	59,412

The Company

	HK$'000
As at 1 January 2013	10,500
Cancelled by the holder	(10,500)
As at 31 December 2013, 1 January 2014 and 31 December 2014	—

On 15 November 2011, the Company issued a promissory note (the "Promissory Note 1") in a principal amount of HK$10,000,000 due on 15 November 2013. The Promissory Note 1 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 1 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 1 which was part of the consideration for the Group to dispose I-Century to the holder of Promissory Note 1.

On 30 September 2014, the Company's subsidiary, Biotag International Limited issued promissory notes (the "Promissory Notes 2") in principal amount of HK$60,000,000 due on 31 December 2014 and 31 March 2015. The Promissory Notes 2 was issued for acquiring the 74% shareholding interests in Easy Ideas Limited (note 37) and bear interest at 3% per annum, payable annually in arrears. The effective interest rate is 5.23%.

36. AMOUNTS DUE TO SUBSIDIARIES

The Company

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

37. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

Acquisitions of subsidiary

During the year ended 31 December 2014, the Group had acquired 76% of the entire issued share capital of Easy Ideas Limited (the "Easy Idea"), for cash of HK$9,560,000 and Promissory Notes 2 with carrying amounts of approximately HK$57,782,000.

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	16	—	16
Intangible assets	—	56,700	56,700
Trade receivables	700	—	700
Deposits, prepayments and other receivables	2	—	2
Cash at bank and on hand	1,150	—	1,150
Trade payables	(644)	—	(644)
Accruals and other payables	(2,146)	—	(2,146)
Net assets acquired	(922)	56,700	55,778
Non-controlling interests			(14,502)
Goodwill			26,066
Total consideration			67,342
Satisfied by:			
— Cash			9,560
— Promissory notes			57,782
			67,342
Net cash outflow arising on acquisition:			
— Cash consideration paid			(9,560)
— Cash and cash equivalents acquired			1,150
			(8,410)

37. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Acquisitions of subsidiary (Continued)

Acquisition-related costs of approximately HK$148,000 are included in the consolidated income statements.

Had the above acquisitions taken place at the beginning of the year ended 31 December 2014, the Group's turnover and loss for the year would have been approximately HK$1,361,000 and HK$256,000 respectively.

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

38. 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)/gain allocated to non-controlling interests		Accumulated non-controlling interests	
		As at 31 December 2014	As at 31 December 2013	Year ended 31 December 2014 HK$'000	Year ended 31 December 2013 HK$'000	As at 31 December 2014 HK$'000	As at 31 December 2013 HK$'000
Most Ideas Limited (Note a)	Hong Kong	45%	45%	(14,687)	(7,124)	15,584	30,271
Easy Ideas Limited (Note b)	Hong Kong	26%	N/A	45	N/A	14,547	N/A
Individual immaterial subsidiaries with non-controlling interests						1,826	1,874
						31,957	32,145

Note:

(a) MG Interactive Limited and MG Interactive Entertainment Limited are wholly owned subsidiaries of Most Ideas Limited.

(b) 盈科創見技(深圳)有限公司 and Techno Vision Limited are wholly owned subsidiaries of Easy Ideas 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.

38. DETAILS OF NON WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

Most Ideas Limited and its wholly-owned subsidiaries

	2014 HK$'000	2013 HK$'000
Non-current assets	31,000	68,745
Current assets	9,542	10,796
Current liabilities	(806)	(956)
Non-current liabilities	(5,103)	(11,319)
Equity attributable to owners of the Company	19,049	36,995
Non-controlling interests	15,584	30,271

	Year ended 31 December 2014 HK$'000	Year ended 31 December 2013 HK$'000
Revenue	5,222	9,332
Expenses	(37,861)	(25,165)
Loss for the year	(32,639)	(15,833)
Loss attributable to owners of the Company	(17,952)	(8,709)
Loss attributable to the non-controlling interests	(14,687)	(7,124)
Loss for the year	(32,639)	(15,833)
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	(17,952)	(8,709)
Total comprehensive loss attributable to the non-controlling interests	(14,687)	(7,124)
Total comprehensive loss for the year	(32,639)	(15,833)
Dividend paid to non-controlling interest	—	—

38. DETAILS OF NON WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

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

	Year ended 31 December 2014 HK$'000	Year ended 31 December 2013 HK$'000
Net cash generated from operating activities	3,081	82
Net cash generated from investing activities	—	—
Net cash generated from financing activities	—	—
Net cash generated	3,081	82

Easy Ideas Limited and its wholly-owned subsidiaries

	2014 HK$'000
Non-current assets	56,713
Current assets	1,731
Current liabilities	(2,494)
Non-current liabilities	—
Equity attributable to owners of the Company	41,403
Non-controlling interests	14,547

38. DETAILS OF NON WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

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

	Year ended 31 December 2014 HK$'000
Revenue	650
Expenses	(478)
Profit for the year	172
Profit attributable to owners of the Company	127
Profit attributable to the non-controlling interests	45
Profit for the year	172
Other comprehensive profit attributable to owners of the Company	—
Other comprehensive profit attributable to the non-controlling interests	—
Other comprehensive profit for the year	—
Total comprehensive profit attributable to owners of the Company	127
Total comprehensive profit attributable to the non-controlling interests	45
Total comprehensive profit for the year	172
Dividend paid to non-controlling interest	—

	Year ended 31 December 2014 HK$'000
Net cash generated from operating activities	121
Net cash generated from investing activities	—
Net cash generated from financing activities	—
Net cash generated	121

39. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	2014 HK$'000	2013 HK$'000
Financial assets		
Financial assets at fair value through profit or loss	3,050	15,606
Loan and receivables (including cash at bank and on hand)	180,264	125,659
Available-for-sale financial assets	51	406
Financial liabilities		
Amortised cost	183,365	100,867

The Company

	2014 HK$'000	2013 HK$'000
Financial assets		
Loan and receivables (including cash at bank and on hand)	3	1,427
Available-for-sale financial assets	51	406
Financial liabilities		
Amortised cost	27,177	31,653

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.

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objective and policies

Price risk

The Group is exposed to equity price risk mainly through its investment in listed equity securities. The directors of the Company management this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated in equity securities listed in Hong Kong and United States of America quoted in The Stock of Exchange of Hong Kong Limited and OTCBB respectively. The directors of the Company will monitor the risks and consider hedging the risk exposure should the need arise.

Equity price sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risk at the end of the reporting period.

If the prices had been 15% higher/lower (2013: 15% higher/lower):

- post-tax profit for the year ended 31 December 2014 would increase/decrease by HK$458,000 (2013: increase/decrease by HK$2,341,000). This is mainly due to the change in fair value of financial assets at fair value through profit or loss.

- other comprehensive income for the year ended 31 December 2014 would increase/decrease by HK$8,000 (2013: increase/decrease by HK$61,000). This is mainly due to the change in fair value of financial assets at fair value through profit or loss.

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 2014 and 31 December 2013. 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.

39. FINANCIAL INSTRUMENTS (CONTINUED)

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

Liquidity risk (Continued)

The Group

	Weighted average effective interest rate	Contractual undiscounted cash outflow Within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000	Total carrying amount HK$'000
As at 31 December 2014							
Trade payables	—	6,364	—	—	—	6,364	6,364
Accruals and other payables	—	36,386	—	—	—	36,386	36,386
Promissory notes	5.23%	59,412	—	—	—	59,412	59,412
Obligation under finance lease	4.50%	16	—	—	—	16	9
		102,178	—	—	—	102,178	102,171
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

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 2014							
Amounts due to subsidiaries	—	5,408	—	—	—	5,408	5,408
Accruals and other payables	—	19,833	—	—	—	19,833	19,833
		25,241	—	—	—	25,241	25,241
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

39. FINANCIAL INSTRUMENTS (CONTINUED)

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

Liquidity risk (Continued)

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.

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.

	2014 HK$'000	2013 HK$'000
The Group		
Change of exchange difference		
Change of foreign currencies exchange rate by 5%:		
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.

39. FINANCIAL INSTRUMENTS (CONTINUED)

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

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.

	2014 HK$'000	2013 HK$'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.

(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:

39. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value estimation (Continued)

The Group

	Level 1 HK$'000
As at 31 December 2014	
Financial assets at fair value through profit or loss:	
Listed equity securities in Hong Kong	3,050
Available-for-sales financial assets:	
Listed equity security outside Hong Kong	51
	3,101
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 security outside Hong Kong	406
	16,012

The Company

	Level 1 HK$'000
As at 31 December 2014	
Available-for-sales financial assets:	
Listed equity security outside Hong Kong	51
As at 31 December 2013	
Available-for-sales financial assets:	
Listed equity security in Hong Kong	406

There were no transfers between Level 1 and 2 and 3 for the year ended 31 December 2014 and 2013.

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.

39. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of debt and equity balance.

The Group's overall strategy remains unchanged from 2013.

The capital structure of the Group consists of net debts (borrowings and promissory note as details in note 29 and 35 respectively 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.

	2014 HK$'000	2013 HK$'000
Debt (i)	59,421	39,529
Less: Cash at bank and on hand (note 26)	(138,926)	(74,343)
Net debt	(79,505)	(34,814)
Equity (ii)	206,532	245,922
Net debt to equity ratio	N/A	N/A

(i) Debt is defined as long- and short-term borrowing and promissory note as described in note 29 and 35 respectively.

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

40. 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 Note 1 as part of the consideration for the Group to dispose I-Century Limited to the holder of Promissory Note.

— During year ended 31 December 2014, the Group acquired 74% of entire issued share capital of Easy Ideas Limited, for an aggregate consideration of HK$67,342,000, HK$9,560,000 settled by cash and HK$57,782,000 settled by issue of Promissory Note 2.

41. FINANCING FACILITIES

The Group

	2014 HK$'000	2013 HK$'000
Secured bank borrowings facilities:		
Amount utilised	–	39,529
Amount unutilised	–	–
	–	39,529

The Group did not have Documentary Credit facilities as at 31 December 2014 and 2015.

42. SIGNIFICANT CONTINGENT LIABILITIES

The Group

As at 31 December 2014, the Group had no significant contingent liabilities (2013: Nil).

The Company

The carrying amount of the financial guarantee contract recognised in the balance was approximately HK$24,000 (2013: HK$24,000) as at 31 December 2014. 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.

43. OPERATING LEASE ARRANGEMENTS

The Group as lessee

Operating leases relate to leases of land and buildings with lease terms of 1 year (2013: 1 year). The Group does not have an option to purchase the land and building at the expiry of the lease periods.

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

	Land and buildings	
	2014 HK$'000	2013 HK$'000
Within one year	–	966
Within two to five years	–	–
	–	966

43. OPERATING LEASE ARRANGEMENTS (CONTINUED)

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	
	2014 HK$'000	2013 HK$'000
Within one year	245	1,745
Within two to five years	163	3,760
	408	5,505

44. COMMITMENTS FOR EXPENDITURE

The Group did not have capital commitment as at 31 December 2014 and 2013.

45. EMPLOYEE SHARE-BASED COMPENSATION RESERVE

	2014 HK$'000	2013 HK$'000
As at the beginning of the year	5,070	8,780
Exercise/cancellation/lapse of share options	(371)	(3,710)
As at the end of the year	4,669	5,070

(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.

45. EMPLOYEE SHARE-BASED COMPENSATION RESERVE (CONTINUED)

(a) (Continued)

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.

During the year ended 31 December 2014 and 2013, 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.

45. EMPLOYEE SHARE-BASED COMPENSATION RESERVE (CONTINUED)

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

	Post Listing Scheme				Share Option Scheme			
	2014		2013		2014		2013	
	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	1,060,000	HK$8.21	1,840,000	—	—	34.5p	35,000
Lapsed	HK$8.21	(80,000)	HK$8.21	(780,000)	—	—	34.5p	(35,000)
Outstanding as at the end of the year	HK$8.21	980,000	HK$8.21	1,060,000	—	—	—	—

As at 31 December 2014, 980,000 (2013: 1,060,000) share options were outstanding with a weighted average exercise price of HK$8.21 (2013: HK$8.21) under the Post Listing Scheme.

(c) As at 31 December 2014 and 31 December 2013, outstanding share options have the following remaining contractual lives and exercise prices:

	2014		2013	
Exercise price	Remaining contractual life	Number of options	Remaining contractual life	Number of options
Post Listing Scheme HK$8.21	5.30 years	1,060,000	6.30 years	1,060,000

(d) According to the Black-Scholes Options Pricing Model, the values and adjusted values of the options granted are as follows:

Date of grant	20 April 2005	29 April 2010
Option value	HK$2.67	HK$4.64
Variables:		
— Exercise price	GBP 0.345	HK$8.21
— Closing price at date of grant	GBP 0.345	HK$8.20
— Risk free rate	4%	2.57%
— Expected volatility (note (i))	75.49%	66%
— Expiration of the option	19 April 2015	28 April 2020
— Option life (expected weighted average life)	3 years	10 years
— Expected ordinary dividends	Nil	0.92%

45. EMPLOYEE SHARE-BASED COMPENSATION RESERVE (CONTINUED)

(d) (Continued)

(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.

46. SIGNIFICANT 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:

	2014 HK$'000	2013 HK$'000
Salaries and bonus	1,620	2,153
Retirement scheme contribution	61	61
Employee share option benefits	—	—
	1,681	2,214

(b) As at 31 December 2014 and 2013, the Company acted as a guarantor of its subsidiaries to secure interest-bearing borrowings.

47. EVENTS AFTER THE REPORTING PERIOD

No significant subsequent events up to the date of this report.

48. AUTHORISATION FOR ISSUE OF CONSOLIDATION FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 March 2015.

Shareholders Information

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
A18/F., Asia Orient Tower
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 2014, 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

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

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Malaysia

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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 30 June 2015 at No. 16–3, Jalan PJU 5/4, Dataran Sunway, Kota Damansara, 47810 Petaling Jaya, Selangor, Malaysia
"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"	23 April 2015;
"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.

"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.

RCG

RCG Holdings Limited

宏霸數碼集團(控股)有限公司*