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 2015

* 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.

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Five Years Financial Summary

	For the year ended 31 December				
	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000
Results					
Turnover	34,044	31,847	466,280	1,022,625	1,385,288
Profit/(loss) for the year	152,172	(130,246)	(942,124)	(1,846,088)	(1,550,774)
Profit/(loss) attributable to:					
Owners of the Company	156,498	(115,556)	(935,625)	(1,874,373)	(1,354,937)
Non-controlling interests	(4,326)	(14,690)	(6,499)	28,285	(195,837)
	152,172	(130,246)	(942,124)	(1,846,088)	(1,550,774)
Basic earnings/(loss) per share (note)	HK$0.22	(restated) HK$(0.42)	HK$(1.33)	HK$(3.15)	HK$(3.24)
Dividends per share	–	–	–	–	–

	As at 31 December				
	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000
Assets and liabilities					
Total assets	773,869	346,570	391,710	1,330,590	3,035,889
Total liabilities	(81,636)	(108,081)	(113,643)	(172,182)	(162,164)
	692,233	238,489	278,067	1,158,408	2,873,725
Equity attributable to owners of the Company	664,602	206,532	245,922	1,119,764	2,902,644
Non-controlling interests	27,631	31,957	32,145	38,644	(28,919)
	692,233	238,489	278,067	1,158,408	2,873,725

Note: The calculation of basic earnings/(loss) 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 2015 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 2015, which consists of reporting on the activities, results and strategies of RCG.

BUSINESS ENVIRONMENT

The growth in Asia and in the Emerging Asia (Southeast Asia, China and India), in particular, is expected to project moderate to gradual growth over the year 2016. Growth in China is expected to continue to slow while growth in India picks up to one of the highest levels in the region based on its previous economy performance in the year 2015. Private consumption may be a large contributor to overall growth, while exports will contribute less than during most of the prior decade.

The Asian region will have to deal with potential external and domestic risks to sustain its projected growth momentum. The bearish conditions in China's economy will continue to impact on the growth prospects of the rest of the Asian region as export demand weakens and investment flows slides, though many Asian countries vary in their level of exposure to these risks. The prospect of United States monetary normalisation, is expected to have relatively more mild impacts on the region, but may also be a cause for concern in some cases. Much of Emerging Asia has seen slowing productivity growth since the global financial crisis. This trend will need to be reversed for growth to pick up. In these challenging environment, the Company will continue to work towards improvements and sustainabilities in its business.

FINANCIAL AND BUSINESS REVIEW

For the 2015 financial year, the Group reported total revenue of HK$34.0 million, which represents an increase of 6.9% compared to the financial year of 2014. The key contributor to the Group in terms of turnover is the Internet & Mobile Applications & 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

29 February 2016

BUSINESS REVIEW

In the financial year of 2015, the Group recorded turnover of HK$34.0 million, representing an increase of 6.9% compared to the same period in 2014. The increase in turnover was attributable to the continuing diversification into NFC market and the introduction of Commodities Trading segment.

Gross margin improved approximately 421.3% in 2015, compared to a gross margin of 1.27% in the same period in 2014 due to better performance of its business units. The Group reported a net profit of HK$152.2 million for the year ended 31 December 2015. The significant improvements were attributable to the prudent investment strategies in financial assets and the continuous improvements of the Company's operations.

Performance of business segments

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

The Group continues to believe that the "**Internet and Mobile's Application and Related Accessories**" segment as a key growth area, is in-line with the rapid growth of the mobile and gaming industry and in particular in Online gaming and 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.

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 continue refine the business of commodities trading and allocate its resources to other business segments.

	Year ended 31 December				HK$ y-o-y growth
	2015		2014		
Business Segment	HK$ m	%	HK$ m	%	%
Trading of Security and Biometric Products	0.5	1.5	3.4	10.7	-85.3
Internet and Mobile's Application and Related Accessories	22.8	67.1	28.4	89.3	-19.7
Commodities Trading	10.7	31.4	–	–	100.0
Total Revenue	34.0	100.0	31.8	100.0	

The key contributor to the Group's turnover as at 31 December 2015 was the Internet and Mobile Applications and Related Accessories segment which contributed 67.1% of total turnover. Following that, revenue from the Commodities Trading segment in the financial year ended 31 December 2015 was HK$10.7 million. This segment experienced a 100.0% increase compared to the same period in 2014, due to the slow process of diversification into NFC market, while being cautious in Trading of Security and Biometric Products.

Geographical performance

In 2015, the Group focused its business in Hong Kong. The Group continued to work with partners around the Asian region. The majority of the Group's revenue was generated from Hong Kong.

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

Geographical Segment	Year ended 31 December				HK$ y-o-y growth
	2015		2014		
	HK$ m	%	HK$ m	%	%
Hong Kong	22.8	67.1	23.8	74.8	-4.2
Other Asian Countries	11.2	32.9	8.0	25.2	40.0
Total Revenue	34.0	100.0	31.8	100.0	

Hong Kong had a decrease from HK$23.8 million in the financial year ended 31 December 2014 to HK$22.8 million in the financial year ended 31 December 2015. The majority of the revenue in Hong Kong was derived from Internet and Mobile's Application and related Accessories segment.

Other Asian Countries region had an increase from HK$8.0 million in the financial year ended 31 December 2014 to HK$11.2 million in the financial year ended 31 December 2015. The majority of the revenue in Other Asian Countries region was derived from Trading of Security and Biometric Products and Commodities Trading.

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2015, the Group reported total revenue of HK$34.0 million representing an increase of 6.9% compared to HK$31.8 million in the same period in 2014. The increase is due to contributions from the Commodities Trading segment.

Cost of sales

Cost of sales increased 1.27% from HK$31.4 million in 2014 to HK$31.8 million in the same period in 2015. In terms of percentage of sales, the cost of sales decreased from 98.7% in 2014 to 93.4% in 2015.

Gross profit and gross profit margin

Gross profit in 2015 was HK$2.3 million, as compared to gross profit of HK$0.4 million in the same period of 2014 resulting from effective cost control measures implemented.

Other revenue and gains

Other revenue and gains decreased from HK$12.3 million during the year of 2014 to HK$1.2 million in the same period of 2015.

Administrative expenses

Administrative expenses decreased by 17.5% from HK$39.4 million in 2014 to HK$32.5 million in the same period in 2015.

Selling and distribution costs

Selling and distribution costs decreased by 100% from HK$1.9 million in 2014 to HK$Nil in the same period in 2015 due to accounting reclassifications resulted from the discontinued sales of the Company's traditional products in the second half of 2015.

Finance costs

Finance costs decreased by 53.1% from HK$4.8 million in 2014 to HK$2.3 million in the same period in 2015.

Profit before taxation

Profit before taxation for the year ended 31 December 2015 was HK$190.9 million, compared to a loss before taxation of HK$137.5 million in the same period in 2014.

Income tax credit and expenses

Income tax expenses/credit changed from HK$7.3 million credit in 2014 to a HK$38.7 million expenses in same period in 2015.

Profit for the year

The Group's profit for the year was HK$152.2 million compared to loss of HK$130.2 million in the same period in 2014. The significant improvement was attributable to the increase in fair value of the financial assets held by the Company, namely listed securities in Hong Kong.

Profit attributable to owners of the Company

Profit attributable to owners of the Company increased from a loss of HK$115.6 million in 2014 to a profit of HK$156.5 million in the same period of 2015.

Loss attributable to the non-controlling interests

The loss attributable to the non-controlling interests of HK$4.3 million for the financial year ended 31 December 2015 (in the same period in 2014 the loss attributable to the non-controlling interests of HK$14.7 million).

REVIEW OF THE GROUP'S FINANCIAL POSITION AS AT 31 DECEMBER 2015

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 2015 (compared to HK$Nil in the same period of 2014).

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 2015, the Group did not have any term loan facility.

Save as disclosed above, there were no other charges on assets as at 31 December 2015.

The Group had cash and cash equivalents of HK$305.7 million as of 31 December 2015 compared to HK$138.9 million as of 31 December 2014.

Working Capital

Debtors have increased by 209.4% from HK$5.3 million in 2014 to HK$16.4 million in the same period in 2015. This is in line with the continued consolidation and realignment of the Group business.

Gearing ratio

As at 31 December 2015, the Group's gearing ratio was approximately Nil, as compared to 0.001x as at 31 December 2014. The gearing ratio was calculated as the Group's total debt divided by its total capital, the total borrowings of the Group was approximately HK$Nil as at 31 December 2015. Total capital is calculated as total shareholder equity of HK$664.6 million plus debt.

Contingent Liabilities

As at 31 December 2015, the Group had no contingent liabilities. The Company has not been acted as a guarantor of its subsidiaries to secure any interest-bearing borrowings.

The carrying amount of the financial guarantee provision recognised in the Company's balance sheet was approximately HK$Nil as at 31 December 2015, compared to HK$652,000 as at 31 December 2014. The financial guarantee contract was eliminated on consolidation.

Deposits, prepayments and other receivable

As at 31 December 2015, the Group's deposits, prepayments and other receivable was HK$50.3 million, as compared to HK$70.7 million as at 31 December 2014.

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.

SIGNIFICANT INVESTMENTS

At 31 December 2015, the Group held (i) approximately 25.3 million shares (approximately 0.25%) of GreaterChina Professional Services Limited("GCPS") and (ii) approximately 175.0 million shares (approximately 1.16%) of China Jicheng Holdings Limited ("CJH"). The shares of GCPS was listed on The Growth Enterprise Market of the Stock Exchange of Hong Kong Limited while CJH was listed on the Main Board of Stock Exchange. The Group's investment in GCPS and CJH were collectively referred to as the "Significant Investments".

Detail of the Significant Investments are as follows:

Company	For the year ended 31 December 2015 Fair value gain HK$'000	At 31 December 2015 Market value HK$'000	At 31 December 2015 Approximate percentage of financial asset at FVTPL	At 31 December 2015 Approximate percentage to the net assets	At 31 December 2014 Market value HK$'000
GCPS	53	19,243	6.5%	2.8%	–
CJH	232,049	239,750	80.7%	34.6%	–
Total		258,993			–

GCPS's business is provision of financial service upon its acquisition of associates and subsidiaries carrying money lending business and gold trading business. CJH is principally engaged in the manufacturing and sale of POE umbrellas, nylon umbrellas and umbrella parts such as plastic cloth and shaft. Based on the unaudited management accounts of the Group, the market value of the Significant Investments at 29 February 2016 (approval date for issuance of annual results) are approximately HK$246.5 million. The market sentiment has improved since September 2015. Looking ahead, the value of the Significant Investments may be susceptible to the overall equity market conditions.

Except the Significant Investments, at 31 December 2015, there was no investment held by the Group which value was more than 5% of the net assets of the Group.

HUMAN RESOURCES

As at 31 December 2015, in addition to the directors of the Company (the "Directors"), there were approximately 40 employees (31 December 2014: 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 2015 were HK$6.5 million, compared with HK$4.7 million in 2014. 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 of the 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 enable 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$305.7 million as of 31 December 2015 compared to HK$138.9 million as of 31 December 2014.

Directors' Report

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 2015.

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.

BUSINESS REVIEW

In the opinion of the Directors, the future prospects of the Company is promising. A fair review of the Group's business and its outlook are set out in the sections of Chairman's Statement and Management Discussion & Analysis. Certain financial key performance indicators are provided in the section of Five-Year Financial Summary. Important event affecting the Group occurred since the end of the financial year is set out in the section headed "Event After The Year End".

The Group complies with the requirements under the Companies Ordinance, the Hong Kong Listing Rules and the Securities and Futures Ordinance (the "SFO") for the disclosure of information and corporate governance. The Group also complies with the requirements of Employment Ordinance and ordinances relating to occupational safety for the interest of employees of the Group.

The Group respects the environment and is committed to minimizing its carbon footprints as a socially responsible enterprise. Carbon footprint is defined as the total amount of direct and indirect emissions of Green House Gases (GHGs) expressed in terms of the equivalent amount of Carbon Dioxide of (CO_2) emission. Non-hazardous wastes produced from the Group mainly consist of used paper such as office papers and marketing materials.

To minimize the impact of carbon footprints on the environment, the Group implements the following practices to use paper efficiently:

- Duplex printing is set as the default mode for most network printers;
- Employees are reminded to practice photocopying wisely;
- Employees are encouraged to use both sides of paper;
- Paper waste is recycled instead of being directly disposed of in landfills;
- Paper is separated from other waste for easier recycling; and
- Boxes and trays are placed beside photocopiers as containers to collect single-sided paper for reuse purpose.

Electricity consumption is identified as having an adverse impact on the environment and natural resources. A typical commercial building uses more energy for lighting than for other electric equipment. The Group is determined to reduce energy consumption and implement conservation practices to reduce the effect of carbon footprint. Air conditioning and light zone arrangements reduce unnecessary electricity usage; employees enforce good practices in maintenance of lighting and electric equipment to ensure they are kept in good and proper condition to maximize efficiency.

KEY RISK FACTORS

The following lists out the key risks and uncertainties facing the Group.

Impact of Local and International Regulations

The business operation of the Group is also subject to government policy, relevant regulations and guidelines established by the regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

Third-Party Risks

The Group has been relying on third-party service providers in parts of business to improve performance and efficiency of the Group. While gaining the benefits from external service providers, the management realizes that such operational dependency may pose a threat of vulnerability to unexpected poor or lapses in service including reputation damage, business disruption and monetary losses. To address such uncertainties, the Group engages only reputed third-party providers and closely monitors their performance.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognizes the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents are found in the year under review.

The Group encompasses working relationships with suppliers to meet our customers' needs in an effective and efficient manner. The departments work closely to make sure the tendering and procurement process is conducted in an open, fair and just manner. The Group's requirements and standards are also well-communicated to suppliers before the commencement of a project.

The Group values the views and opinions of all customers through various means and channels, including usage of business intelligence to understand customer trends and needs and regular analyze on customer feedback. The Group also conducts comprehensive tests and checks to ensure that only quality products and services are offered to the customers.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2015 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 2015.

RESERVES

Details of the movements in the reserves of the Group and of the Company during the year are set out in the Consolidated Statement of Changes in Equity on page 40 and note 28 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company did not have reserves available for distribution (2014: Nil).

SHARE CAPITAL

Details of movements in the share capital during the year ended 31 December 2015 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 2015 are set out in note 16 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for approximately 78.0% of the Group's total sales for the year and sales to the Group's largest customer amounted to approximately 46.4%. Purchases from the Group's five largest suppliers accounted for approximately 100% to the Group's total purchases for the year and purchases from the Group's largest supplier amounted to approximately 59.5%.

None of the Directors or any of their close 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.

The Directors during the year and up to the date of this report are:

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

Independent Non-executive Directors:
Liu Wen *(Chairman)*
Kwan King Wah
Tse Chin Pang
Zeng Min (resigned on 30 June 2015)*

* Mr. Zeng Min resigned as a Director due to other business commitments.

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 TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract of significance to which the company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the company or his or her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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 2015 to 26 September 2016;

b) Mr. Zhang Ligong has renewed the service agreement with the Company for a term of one year commencing from 27 September 2015 to 26 September 2016;

c) Mr. Wang Zhongling has renewed the service agreement with the Company for a term of one year commencing from 13 November 2015 to 12 November 2016; and

d) Mr. Kwan King Wah has renewed the appointment letter with the Company for a term of one year commencing from 27 August 2015 to 26 August 2016.

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.

INDEMNITY OF DIRECTORS

The Company has maintained appropriate directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year.

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

As at 31 December 2015, 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 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").

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Option Scheme and Post Listing Share Option Scheme", at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

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

As at 31 December 2015, 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 2)
The Offshore Group Holdings Limited (Note 1)	Beneficial owner	80,273,334	–	80,273,334	5.34%
Chan Chun Chuen (Note 1)	Interest of controlled corporation	80,273,334	–	80,273,334	5.34%
Tam Miu Ching (Note 1)	Spousal interest	80,273,334	–	80,273,334	5.34%

Notes:

1. 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. As at 31 December 2015, Offshore holds 13,378,889 Consolidated shares and 66,894,445 Offer shares under the Open Offer. Therefore, Mr. Chan Chun Chuen and Ms. Tam Miu Ching are deemed to be interested in the 80,273,334 shares held by Offshore under the SFO.

2. It represents the approximately percentage of total issued shares as at 31 December 2015.

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 registered an interest or short position in the shares or underlying shares of the Company as at 31 December 2015 that was required to be recorded pursuant to Section 336 of the SFO.

EQUITY-LINKED AGREEMENT

Details of the equity-linked agreement entered into during the year or subsisting at the end of the year are set out below:

Share Option Scheme and Post Listing 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 are outlined below.

Share Option Scheme

Movements of the share options granted under the Post Listing Scheme during the year ended 31 December 2015 are as follows:

	Outstanding at 1 January 2015	Granted during the year ended 31 December 2015	Exercised during the year ended 31 December 2015	Lapsed during the year ended 31 December 2015	Cancelled during the year ended 31 December 2015	Adjustment during the year 2015	Outstanding at 31 December 2015 (Note 1)	Date of grant	Vesting period	Exercisable period	Exercise price (Note 1)
Other employees											
In aggregate	940,000	–	–	–	–	(636,618)	303,382	29.04.2010	–	29.04.2010–28.03.2017	HK$25.44
	40,000	–	–	–	–	(27,087)	12,913	29.04.2010	1 year	29.04.2011–28.04.2020	HK$25.44
Total	980,000	–	–	–	–	(663,705)	316,295				

Note:

(1) Pursuant to the terms of the Post Listing Scheme adopted on 16 October 2008, the exercise price of the share options granted under the Post Listing Scheme and the number of shares to be allotted and issued upon exercise in full of the subscription rights attaching to the outstanding share options have been adjusted to HK$25.44 and 316,295 respectively, with effect from 25 August 2015, as a result of the share consolidation and open offer of ordinary shares of the Company.

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 2015.

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 316,295 shares, representing 0.02% of the issued shares 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 6.67% of the issued shares 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 2015, the Company did not grant any option pursuant to the New Share Option Scheme.

MANAGEMENT CONTRACTS

No contract 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 24 April 2015, the Company proposed to (i) implement share consolidation on the basis that every four (4) issued and unissued ordinary shares of HK$0.01 each be consolidated into one (1) consolidated ordinary share of HK$0.04 each (the "Consolidated Shares") in the share capital of the Company (the "Share Consolidation"); (ii) change the board lot size for trading of shares on the HKSE from 1,000 shares to 10,000 shares upon the Share Consolidation becoming effective; and (iii) raise not less than approximately HK$313.3 million and not more than approximately HK$313.6 million, before expenses, by way of an open offer of not less than 1,253,108,120 offer shares and not more than 1,254,333,120 offer shares at a subscription price of HK$0.25 per offer share on the basis of five (5) offer shares for every one (1) Consolidated Share held on the record date (the "Open Offer"). The purpose of Share Consolidation and Open Offer was to (i) increase the market value per board lot of the shares and reduce the overall transaction and handling costs of dealings; and (ii) strengthen its capital base and enhance its financial position for future strategic investments when suitable opportunities arise.

The Company intended to apply net proceeds from the Open Offer as to (i) approximately 90% of net proceeds for financing the possible subscription and funding requirements for business development of Azooca Incorporation upon completion of the possible subscription and other possible investment opportunities which may arise from time to time; and (ii) approximately 10% of the net proceeds as general working capital for existing businesses of the Group. Among the net proceeds of the Open Offer to be applied for general working capital, (i) approximately 40% for operating expenses of the Group (such as utilities expenses, legal and professional fee, rental expenses and staff costs, etc.); and (ii) approximately 60% for financing future business development opportunities as may be identified.

The Company held a special general meeting on 17 July 2015 (the "SGM") and the Share Consolidation, the Open Offer, the underwriting agreement in relation to the underwriting arrangement in respect of the Open Offer (the "Underwriting Agreement") and the transactions contemplated thereunder were duly passed by the Shareholders respectively.

With effect from 20 July 2015, the authorized share capital of the Company has become HK$90,000,000 divided into 2,250,000,000 Consolidated Shares of HK$0.04 each, of which 250,621,624 Consolidated Shares were in issue.

All of the conditions set out in the Underwriting Agreement had been fulfilled and the Underwriting Agreement had not been terminated by the underwriter. Accordingly, the Open Offer became unconditional on 18 August 2015. 1,253,108,120 ordinary shares were issued and allotted.

Details of the above Share Consolidation, change in board lot size for trading of shares of the Company and Open Offer have been set out in the announcements and circular of the Company dated 24 April 2015, 24 August 2015 and 23 June 2015 respectively.

Saved 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 2015.

CONNECTED TRANSACTIONS

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

EVENT AFTER THE YEAR END

On 26 January 2016, the Company has granted 25,000,000 share options to subscribe for ordinary shares of par value HK$0.04 each of the Company, representing approximately 1.66% of the issued shares of the Company, were granted by the Company under its share option scheme approved and adopted by the Company on 28 June 2013 to eligible participants of the Company (the "Grantees"), subject to the acceptance of the Grantees. None of the Grantees is a Director, chief executive or substantial shareholder of the Company, or their respective associates.

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, there is sufficient public float as required under the Hong Kong Listing Rules.

CORPORATE GOVERNANCE

Details of the corporate governance practices of the Company are set out in the section of the Corporate Governance Report of this annual report on pages 19 to 26.

CHARITABLE CONTRIBUTIONS

During the year under review, the Group did not make charitable contribution (2014: Nil).

AUDITORS

The accounts for the year ended 31 December 2015 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

29 February 2016

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 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 2015.

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
Tse Chin Pang

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.

Names of the Directors	Directors' Attendance
Executive Directors:	
Li Jinglong	4/4
Zhang Ligong	4/4
Wang Zhongling *(Chief Executive Officer)*	2/4
Independent Non-executive Directors:	
Liu Wen *(Chairman)*	4/4
Kwan King Wah	4/4
Tse Chin Pang (appointed on 1 July 2015)	2/2
Zeng Min (resigned on 30 June 2015)	2/2

GENERAL MEETINGS

During the year under review, the Company convened two general meetings including an annual general meeting of the Company held on 30 June 2015 and a special general meeting of the Company held on 17 July 2015. The attendance record is set out below:

Names of the Directors	Directors' Attendance
Executive Directors:	
Li Jinglong	2/2
Zhang Ligong	2/2
Wang Zhongling *(Chief Executive Officer)*	0/2
Independent Non-executive Directors:	
Liu Wen *(Chairman)*	2/2
Kwan King Wah	2/2
Tse Chin Pang (appointed on 1 July 2015)	1/1
Zeng Min (resigned on 30 June 2015)	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. Zhang Ligong and Mr. Kwan King Wah will retire and will seek re-election at the forthcoming AGM.

In accordance with Bye-law 86(2) of the Bye-laws, any Director appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. Mr. Tse Chin Pang will retire and not offer himself for re-election at the forthcoming AGM of the Company due to other business commitments.

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. Tse Chin Pang, 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 14 to 16 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
Tse Chin Pang (appointed on 1 July 2015) *(Chairman)*	0/0
Liu Wen	1/1
Kwan King Wah	1/1
Zeng Min (resigned on 30 June 2015)	1/1

The number of senior management of the Group whose remuneration for the year ended 31 December 2015 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. Tse Chin Pang, 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
Tse Chin Pang (appointed on 1 July 2015)	0/0
Zeng Min (resigned on 30 June 2015)	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 18 December 2015, in compliance with the Hong Kong Listing Rules. The primary functions of the Audit Committee are to review and supervise the financial reporting systems, risk management and internal control systems 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. Tse Chin Pang, 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 2015 and the interim consolidated financial statements for the six months ended 30 June 2015, including the accounting principles and practices adopted by the Group. The Audit Committee performed its primary responsibility for monitoring the quality of risk management, internal control and financial reporting systems 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, risk management, 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 meetings are as follows:

Names of the members	Members' Attendance
Kwan King Wah *(Chairman)*	2/2
Liu Wen	2/2
Tse Chin Pang (appointed on 1 July 2015)	1/1
Zeng Min (resigned on 30 June 2015)	1/1

CORPORATE GOVERNANCE FUNCTIONS

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

COMPANY SECRETARY

The Company has engaged in a service contract with an external service provider, which Mr. Lo Wah Wai ("Mr. Lo") is appointed as the Company Secretary. Mr. Kenny Sim is the primary corporate contact person of the Company with Mr. Lo. The biography of Mr. Lo has been set out on page 32 under the section of the Directors, Senior Management and Staff.

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

Mr. Lo is a practicing member of the Hong Kong Institute of Certified Public Accountants and is a member of the American Institute of Certified Public Accountants. He continues to study professional courses of corporate governance and has taken more than 15 hours of relevant professional training for the year ended 31 December 2015.

AUDITORS' REMUNERATION

For the year ended 31 December 2015, the remuneration in respect of audit services assignment and other assurance service assignment provided by the auditors of the Company, HLB Hodgson Impey Cheng Limited, amounted to approximately HK$1,500,000 and approximately HK$26,000 respectively.

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 2015, 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 2015 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.

RISK MANAGEMENT AND INTERNAL CONTROL

During the year, the Board complied with the code provisions on risk management and internal control as set out in the CG Code. The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining appropriate and effective risk management and internal control systems for the Group. The systems are designed to manage the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors.

The Board has overseen the Company's risk management and internal control systems on an ongoing basis. A year end review of the effectiveness of the Company's and its subsidiaries risk management and internal control systems has been conducted annually and the systems are considered to be effective and adequate. The Company also has an internal audit function to carry out the analysis and independent appraisal of the adequacy and effectiveness of the systems, and has procedures in place to keep information confidential and manage actual or potential conflicts of interest. Stringent internal structures have been designed to prevent the misuse of inside information and avoid conflicts of interest.

EXECUTIVE DIRECTORS

Li Jinglong

Mr. Li Jinglong, aged 56, 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 48, 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 33, 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 DIRECTORS

Liu Wen
Chairman

Mr. Liu Wen, aged 48, 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.

Directors, Senior Management and Staff

Kwan King Wah

Mr. Kwan King Wah, aged 52, 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 directorship in one Hong Kong private company, namely Pronet Consulting Limited.

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

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

Under the appointment letter Mr. Kwan entered into with the Company, the initial term of service is one year with an annual remuneration of HK$180,000. Mr. Kwan's emolument was determined with reference to his duties and responsibilities with the Company and the Company's standard emoluments. Mr. Kwan will be subject to retirement by rotation at 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.

Tse Chin Pang

Mr. Tse Chin Pang, aged 35, was appointed as an independent non-executive Director on 1 July 2015. He was also appointed as the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee.

Mr. Tse is currently a director of an investment company in the PRC. Mr. Tse graduated from Guangzhou Jinan University in 2006 with a Bachelor's Degree in Economics. He holds management positions in several investment companies since 2010 and has extensive experience in investment management and corporate management. Mr. Tse was a director of Globe Capital Limited (previously name as Ford Eagle Group Limited) from 13 March 2013 to 4 June 2013, shares of which are listed on the ICAP Securities & Derivatives Exchange in London.

Save as disclosed above, Mr. Tse 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. Tse 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. Tse does not have any relationship with any current or former director, senior management, or substantial or controlling shareholders of the Company.

Mr. Tse has entered into a service agreement with the Company on 1 July 2015 with a fixed term of one year of service of the Company. Mr. Tse shall hold office until the next general meeting of the Company and shall be eligible for re-election at the Company's next annual general meeting and retirement by rotation at least once every three years in accordance with the Company's bye-laws. Mr. Tse will be entitled to a director's remuneration (including a director's fee) to be determined by the Board, 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.

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 40, 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 53, 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 52, holds a Bachelor's degree in Business Administration from the Chinese University of Hong Kong and a Master's degree in Science from the New Jersey Institute of Technology, the United States. He is a practicing member of the Hong Kong Institute of Certified Public Accountants and is a member of the American Institute of Certified Public Accountants.

HUMAN RESOURCES

Issues related to human resources have been addressed in the paragraph headed "Human Resources" under the section of the Management Discussion and Analysis on page 9.

Statement of Directors' Responsibilities in respect of Consolidated Financial Statements

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

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

- Select suitable accounting policies and apply them consistently
- Make judgments and estimates that are reasonable
- State whether they adhered to applicable accounting standards subject to any material departures disclosed and explained in the consolidated financial statements
- Prepare the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business

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

Independent Auditors' Report

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

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

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

We have audited the consolidated financial statements of RCG Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 111, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other 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 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 determine is necessary to enable the preparation of 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 issued by the International Accounting Standards Board. 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 auditor's judgment, 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 auditor considers internal control relevant to the entity's preparation of 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 financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practicing Certificate Number: P05029

Hong Kong, 29 February 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Revenue	8	34,044	31,847
Cost of sales		(31,789)	(31,441)
Gross profit		2,255	406
Other revenue and gains	9	1,209	12,273
Change on fair value of financial assets at fair value through profit or loss		240,520	(8,676)
Selling and distribution expenses		–	(1,928)
Administrative expenses		(32,469)	(39,401)
Other operating expenses		(18,357)	(95,343)
Profit/(loss) from operations	10	193,158	(132,669)
Finance costs	12	(2,263)	(4,827)
Profit/(loss) before taxation		190,895	(137,496)
Taxation	13	(38,723)	7,250
Profit/(loss) for the year		152,172	(130,246)
Profit/(loss) for the year attributable to:			
Owners of the Company		156,498	(115,556)
Non-controlling interests		(4,326)	(14,690)
		152,172	(130,246)
		HK cents	HK cents (Restated)
Earning/(loss) per share			
– Basic and diluted	14	21.60	(41.95)

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

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Profit/(loss) for the year		152,172	(130,246)
Other comprehensive income/(loss) for the year			
Items that may be reclassified to profit or loss:			
Available-for-sale financial assets:			
Change in fair value		–	(355)
Reclassification adjustment upon impairment		–	39,261
		–	38,906
Exchange differences on translating foreign operations			
Exchange differences arising during the year		(5,409)	(6,733)
		(5,409)	32,173
Total comprehensive income/(loss) for the year		146,763	(98,073)
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		151,089	(83,383)
Non-controlling interests		(4,326)	(14,690)
		146,763	(98,073)

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

Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	780	1,241
Goodwill	18	26,066	39,667
Intangible assets	19	77,319	87,628
Available-for-sale financial assets	20	–	51
		104,165	128,587
Current assets			
Financial assets at fair value through profit or loss	21	297,273	3,050
Trade receivables	24	16,439	5,317
Deposits, prepayments and other receivables	25	50,271	70,690
Cash and bank balances	26	305,721	138,926
		669,704	217,983
Total assets		773,869	346,570
CAPITAL AND RESERVES			
Share capital	27	60,149	10,025
Reserves	28	604,453	196,507
Equity attributable to owners of the Company		664,602	206,532
Non-controlling interests		27,631	31,957
Total equity		692,233	238,489

	Notes	2015 HK$'000	2014 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	30	43,814	5,192
		43,814	5,192
Current liabilities			
Trade payables	31	12,460	6,364
Accruals and other payables	32	24,595	36,388
Tax payables		767	716
Promissory note	33	–	59,412
Obligations under finance leases	29	–	9
		37,822	102,889
Total liabilities		81,636	108,081
Total equity and liabilities		773,869	346,570
Net current assets		631,882	115,094
Total assets less current liabilities		736,047	243,681

The consolidated financial statements on pages 35 to 111 were approved and authorised for issue by the Board of Directors of the Company on 29 February 2016 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.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Share capital HK$'000	Share premium HK$'000 (Note 28(a))	Available-for-sale securities revaluation reserve HK$'000	Employee share-based compensation reserve HK$'000 (Note 28(b))	Capital reserve HK$'000 (Note 28(c))	Translation reserve HK$'000	Legal reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 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 34)	–	–	–	–	–	–	–	–	–	14,502	14,502
Lapse of share options	–	–	–	(371)	–	–	–	371	–	–	–
Placing of shares (note 27)	1,671	42,322	–	–	–	–	–	–	43,993	–	43,993
At 31 December 2014 and 1 January 2015	10,025	2,245,190	–	4,699	(872)	(25,082)	48	(2,027,476)	206,532	31,957	238,489
Profit/(loss) for the year	–	–	–	–	–	–	–	156,498	156,498	(4,326)	152,172
Other comprehensive loss for the year	–	–	–	–	–	(5,409)	–	–	(5,409)	–	(5,409)
Total comprehensive income/(loss) for the year	–	–	–	–	–	(5,409)	–	156,498	151,089	(4,326)	146,763
Issues of shares pursuant to the open offer (note 27)	50,124	263,153	–	–	–	–	–	–	313,277	–	313,277
Open offer expenses	–	(6,296)	–	–	–	–	–	–	(6,296)	–	(6,296)
At 31 December 2015	60,149	2,502,047	–	4,699	(872)	(30,491)	48	(1,870,978)	664,602	27,631	692,233

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Operating activities			
Profit/(loss) before taxation		190,895	(137,496)
Adjustments for:			
Amortisation of intangible assets	19	10,309	19,600
Amortisation of prepaid lease payments	17	–	48
Depreciation	16	566	1,443
Gain on disposal of property, plant and equipment	10	(5)	(17)
Gain on disposal of a subsidiary		(22)	–
Loss on disposal of buildings and prepaid lease payments	10	–	10,252
Realised loss on disposal of financial assets at fair value through profit or loss		3,985	–
Reversal of impairment loss on trade receivables	24	–	(1,260)
Reversal on provision of obsolete stock	23	–	(2,695)
Impairment loss on trade receivables	24	–	678
Impairment loss on other receivables		720	964
Impairment loss on intangible assets	19	–	18,072
Impairment loss on goodwill	18	13,601	26,116
Impairment loss on available-for-sale financial assets	20	51	39,261
(Gain)/loss arising on fair value of financial assets at fair value through profit or loss, net		(240,520)	8,676
Bank interest income	9	(150)	(371)
Interest expenses on interest-bearing borrowings and bank overdrafts, promissory note and finance leases		2,188	4,756
Operating cash flow before movements in working capital		(18,382)	(11,973)
Decrease in inventories		–	2,695
(Increase)/decrease in trade receivables		(11,122)	10,791
Decrease/(increase) in deposits, prepayments and other receivables		19,399	(17,621)
Increase/(decrease) in trade payables		6,096	(10,334)
Decrease in accruals and other payables		(10,024)	(11,167)
Proceeds from disposal of financial assets at fair value through profit or loss		8,250	3,880
Payment for purchase of financial assets at fair value through profit or loss		(67,460)	–
Cash used in operations		(73,243)	(33,729)
Bank interest income received	9	150	371
Income tax (paid)/refunded		(49)	382
Net cash used in from operating activities		(73,142)	(32,976)

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Investing activities			
Decrease in fixed deposit		162	–
Purchase of property, plant and equipment	16	(149)	–
Net cash paid for acquisition of a subsidiary	34	–	(8,410)
Proceeds from disposal of prepaid lease payments and building		–	102,549
Proceeds from disposal of property, plant and equipment		10	135
Net cash generated from/(used in) investing activities		23	94,274
Financing activities			
Interest expenses	12	–	(2,974)
Issue of new shares		–	43,993
Net proceeds from issue of new shares pursuant to the open offer		306,981	–
Interest-bearing borrowings repaid, net		–	(39,529)
Repayment of obligations under finance leases		(9)	(18)
Repayment of promissory notes	33	(61,300)	–
Net cash generated from financing activities		245,672	1,472
Net increase in cash and cash equivalents		172,553	62,770
Cash and cash equivalents at the beginning of the year		138,764	74,171
Effect of exchange rate change		(5,596)	1,823
Cash and cash equivalents at the end of the year	26	305,721	138,764
Analysis of the balances of cash and cash equivalents:			
Cash at bank and on hand		304,049	116,220
Cash at other financial institution		1,672	22,706
		305,721	138,926
Less: Fixed deposits		–	(162)
Cash and cash equivalents at the end of the year		305,721	138,764

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Ms. Cheng Hei Yu is the substantial shareholder of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 22.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company and all values are rounded to nearest thousand except otherwise indicated.

2. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") 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.

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with IFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments which have been measured at fair value at the end of each reporting period. 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 ("IFRSs")

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 IAS19	Defined benefit plans: Employee contributions
Amendments to IFRSs	Annual improvement to IFRSs 2010–2012 cycle
Amendments to IFRSs	Annual improvement to IFRSs 2011–2013 cycle

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordiance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

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.

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:

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[1]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to IAS 1	Disclosure Initiative[3]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle[3]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[3]
Amendments to IAS 27	Equity Method in Separate Financial Statements[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exemption[3]

1 Effective for annual periods beginning on or after 1 January 2018.

2 Effective for first annual IFRS financial statements beginning on or after 1 January 2016.

3 Effective for annual periods beginning on or after 1 January 2016.

4 Effective for annual periods beginning on or a date to be determined.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

One of the key requirements of IFRS 9 that are applicable to the Group includes the impairment of financial assets, of which IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39 Financial Instruments, Recognition and Management. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company are of the view that the expected credit loss model may result in early provision of credit losses which are not yet incurred. However, it is not practicable to provide a reasonable estimate of the effect from using an expected credit loss model in respect of its financial assets until a detailed review has been completed.

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

IFRS 15 Revenue from Contracts with Customers

In 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company are in the process of reviewing the effect of the application of IFRS 15 on the amounts reported and disclosures made in the Group’s consolidated financial statements.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

(a) when the intangible asset is expressed as a measure of revenue; or

(b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets (other than mining assets and mining rights) respectively. The Group uses unit of production method for depreciation and amortisation for its mining assets and mining rights respectively. Goodwill is not amortised but reviewed for impairment on annual basis. The directors of the Company are in the process of reviewing the effect of the application of the amendments to IAS.

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

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after a date to be determined. The directors of the Company anticipate that the application of these amendments to IFRS 10 and IAS 28 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Except for the above, the directors of the Company do not anticipate that the application of other new and revised IFRSs will have significant impact on the Group's consolidated financial statements.

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.

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.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Business combinations

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

Acquisition-related costs are generally recognised in profit or loss as incurred.

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

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

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

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Business combinations (Continued)

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 that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

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.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (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.

(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;

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Intangible assets (Continued)

– 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.

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. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time 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 Group; and

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

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Revenue recognition (Continued)

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 recognised when it is probable that the economic benefits will flow to the Group and amount of income can be measured reliably.

Interest income 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 on initial recognition.

(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:

Building	2%
Leasehold improvements	20%
Furniture, fixtures and equipment	20%
Showroom equipment	$33\frac{1}{3}$%
Mould	20%
Motor vehicles	20%
Development tools	20%

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

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

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) 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).

(h) Inventories

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

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

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Foreign currencies

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

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

Exchange differences are recognised in the income statement in the period in which they arise except for:

– exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;

– exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

– exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in the income statement on disposal of the net investment.

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

On the disposal of a foreign operation (ie. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset. All of the exchange differences accumulated inequity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments of identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translation at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) 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 consolidated statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and 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 period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base 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 of goodwill.

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

The carrying amount of deferred tax assets is reviewed at the end of the 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting date, to recover or settle the carrying amount of its assets and liabilities.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Retirement benefit costs

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.

(l) 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 (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in income statement.

Financial assets

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’ (FVTPL), ‘held-to-maturity’ investments, ‘available-for-sale’ (AFS) financial assets and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Financial instruments (Continued)

Financial assets (Continued)

Effective interest method

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

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

Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3, applies (ii) held for trading, or (iii) 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 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (Continued)

Financial assets (Continued)

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

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 21.

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 20. 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.

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

Loans and receivables

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 receivables, deposits, prepayments and other receivables, pledged bank deposits and cash and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

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

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (Continued)

Impairment of financial assets

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

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

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

– significant financial difficulty of the issuer or counterparty; or

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

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

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

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

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (Continued)

Impairment of financial assets (Continued)

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized 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.

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

Other financial liabilities (including trade and bills payables, accruals and other payables, amount due to a shareholder, amount due to a related company and borrowings) 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.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Derecognition

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

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

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, 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 canying 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.

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

(m) 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.

(n) Borrowing costs

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

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) 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 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 recognized 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)

(p) Related parties transactions

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

(a) A person or a close member of that person's family is related to the Group if 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.

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiaries is related to the others);

(ii) one entity is an associate or joint venture of the other entity for an associate (or joint venture of a member of a group which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other 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. If the Group is itself such a plan, the sponsoring employees are also related to the Group;

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

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

(viii) the entity, or any number of a group of which is a part, provides key management personnel services to the Group or the Group's parent.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

A transaction is considered to be a related party transaction when there is a transfer of resources and obligations between related parties.

(q) Contingent liabilities

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)

(r) Operating segments

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

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

7. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Estimated impairment of goodwill

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

(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.

7. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(d) 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.

(e) 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.

(f) 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.

(g) 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. REVENUE 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 business perspective, key management assesses the performance of Trading of Security & Biometric Products, Solutions, Projects and Services, 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;

– 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).

8. REVENUE AND SEGMENT INFORMATION (CONTINUED)

The following table presents the Group's revenue, 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	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
Revenue – external sales	493	3,445	–	–	22,791	28,402	10,760	–	–	–	34,044	31,847
Segment results	54	(329)	–	–	2,137	735	64	–	–	–	2,255	406
Unallocated other operating income									1,209	12,273	1,209	12,273
Change on fair value of financial assets at fair value through profit or loss									240,520	(8,676)	240,520	(8,676)
Depreciation	–	–	–	(428)	–	(352)	–	–	(566)	(663)	(566)	(1,443)
Amortisation of prepaid lease payments	–	–	–	–	–	–	–	–	–	(48)	–	(48)
Amortisation of intangible assets	–	–	–	–	(10,309)	(19,600)	–	–	–	–	(10,309)	(19,600)
Impairment loss on other receivables	(720)	–	–	–	–	–	–	–	–	(964)	(720)	(964)
Impairment loss on trade receivables	–	(5)	–	–	–	–	–	(626)	–	(47)	–	(678)
Impairment loss on available-for-sale financial assets	–	–	–	–	–	–	–	–	(51)	(39,261)	(51)	(39,261)
Impairment loss on goodwill	–	–	–	–	(13,601)	(26,116)	–	–	–	–	(13,601)	(26,116)
Impairment loss on intangible assets	–	–	–	–	–	(18,072)	–	–	–	–	–	(18,072)
Unallocated expenses									(25,579)	(30,490)	(25,579)	(30,490)
Finance costs									(2,263)	(4,827)	(2,263)	(4,827)
Profit/(loss) before taxation									213,270	(72,703)	190,895	(137,496)
Taxation									(38,723)	7,250	(38,723)	7,250
Profit/(loss) for the year									174,547	(65,453)	152,172	(130,246)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2014: nil).

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 6. Segment profit represents the profit earned/loss incurred by each segment without allocation of other revenue and gains, change on fair value of financial assets at fair value through profit or loss, selling and distribution expenses, administrative expenses, other operating expenses, finance costs and taxation. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

8. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than available-for-sale financial assets, financial assets at fair value through profit or loss and other financial assets. Goodwill is allocated to segments as described in note 18. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segments; and

- all liabilities are allocated to operating segments other than promissory note, obligations under finance leases, deferred tax liabilities and other financial liabilities. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

	Trading of Security & Biometric Products		Solutions, Projects and Services		Internet & Mobile's Application & Related Accessories		Commodities Trading		Unallocated		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	3,288	752	–	–	115,732	131,861	21,182	–	633,667	213,957	773,869	346,570
Segment liabilities	1,685	6,272	–	–	3,836	58	10,697	–	65,418	101,751	81,636	108,081
Other segment information:												
Depreciation	–	–	–	(428)	–	(352)	–	–	(566)	(663)	(566)	(1,443)
Amortisation of prepaid lease payments	–	–	–	–	–	–	–	–	–	(48)	–	(48)
Amortisation of intangible assets	–	–	–	–	(10,309)	(19,600)	–	–	–	–	(10,309)	(19,600)
Impairment loss on other receivables	(720)	–	–	–	–	–	–	–	–	(964)	(720)	(964)
Impairment loss on trade receivables	–	(5)	–	–	–	–	–	(626)	–	(47)	–	(678)
Impairment loss on available-for-sale financial assets	–	–	–	–	–	–	–	–	(51)	(39,261)	(51)	(39,261)
Impairment loss on goodwill	–	–	–	–	(13,601)	(26,116)	–	–	–	–	(13,601)	(26,116)
Impairment loss on intangible assets	–	–	–	–	–	(18,072)	–	–	–	–	–	(18,072)

8. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Revenue from major products and services

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

	2015 HK$'000	2014 HK$'000
Trading of Security & Biometric Products	493	3,445
Internet & Mobile's Application & Related Accessories	22,791	28,402
Commodities Trading	10,760	–
	34,044	31,847

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 revenue, segment results and other information by geographical areas, irrespective of the origin of the goods and services:

	Revenue		Segment results	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
Hong Kong	22,791	23,829	2,137	714
Other Asian Countries	11,253	8,018	118	(308)
	34,044	31,847	2,255	406

	Segment assets		Segment liabilities		Additions to non-current assets		Amortisation and deprecation	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
Hong Kong	747,136	219,697	76,694	96,023	149	–	10,742	20,043
Other Asian Countries	26,733	126,873	4,942	12,058	–	–	133	1,048
	773,869	346,570	81,636	108,081	149	–	10,875	21,091

8. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Information about major customers

The Group's customer base included one (2014: one) customer with whom transactions have individually exceeded 10% of the Group's revenue during the year ended 31 December 2015.

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

	2015 HK$'000	2014 HK$'000
Customer A	15,808	23,179

9. OTHER REVENUE AND GAINS

	2015 HK$'000	2014 HK$'000
Other revenue		
Bank interest income	150	371
Rental income	–	2,472
Sundry income	1,032	5,280
	1,182	8,123
Other gains		
Reversal of impairment loss on trade receivables	–	1,260
Gain on disposal of property, plant and equipment	5	17
Reversal on provision of obsolete stock	–	2,695
Exchange gain	–	178
Gain on disposal of a subsidiary	22	–
	27	4,150
Total	1,209	12,273

10. PROFIT/(LOSS) FROM OPERATIONS

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

	Notes	2015 HK$'000	2014 HK$'000
Depreciation			
– Owned assets		553	1,423
– Assets held under finance leases		13	20
	16	566	1,443
Cost of inventories sold		10,696	26,158
Amortisation of prepaid lease payments	17	–	48
Amortisation of intangible assets	19	10,309	19,600
Gain on disposal of property, plant and equipment		(5)	(17)
Gain on disposal of a subsidiary		(22)	–
Loss on disposal of buildings and prepaid lease payments*		–	10,252
Impairment loss on trade receivables*	24	–	678
Impairment loss on other receivables*		720	964
Impairment loss on available-for-sale financial assets*	20	51	39,261
Impairment loss on intangible assets*	19	–	18,072
Realised loss on disposal of financial assets at fair value through profit and loss*		3,985	–
Impairment loss on goodwill*	18	13,601	26,116
Foreign exchange loss/(gain)#		204	(178)
Auditors' remuneration			
– Audit services		1,500	2,000
– Other services		26	–
Operating lease rentals in respect of premises		846	1,692
Staff costs, including directors' and chief executive officer's remuneration		6,530	4,741

* Items included in other operating expenses

\# Amount included in other revenue and gains (2014: Included in other operating expenses)

11. STAFF COSTS AND THE FIVE HIGHEST PAID INDIVIDUALS

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

Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and Hong Kong Listing Rules):

	Directors' fees		Salaries and bonus		Retirement scheme contribution		Employee share option benefits		Total	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
Chief executive officer and executive director										
Wang Zhongling	240	240	–	–	–	–	–	–	240	240
Executive directors:										
Li Jinglong	180	180	–	–	–	–	–	–	180	180
Zhang Ligong	180	180	–	–	–	–	–	–	180	180
	360	360	–	–	–	–	–	–	360	360
Independent non-executive directors:										
Pieter Lambert Diaz Wattimena[1]	–	48	–	–	–	–	–	–	–	48
Zeng Ming[2]	90	180	–	–	–	–	–	–	90	180
Liu Wen	180	150	–	–	–	–	–	–	180	150
Kwan King Wah	180	180	–	–	–	–	–	–	180	180
Tse Chin Pang[3]	60	–	–	–	–	–	–	–	60	–
	510	558	–	–	–	–	–	–	510	558
	1,110	1,158	–	–	–	–	–	–	1,110	1,158

Notes:

1 Resigned on 7 March 2014
2 Resigned on 30 June 2015
3 Appointed on 1 July 2015

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

(b) Key management personnel

Remuneration for key management personnel, including directors' and chief executive officer's remuneration, was as follows:

	2015 HK$'000	2014 HK$'000
Salaries and bonus	2,768	1,620
Retirement scheme contribution	124	61
	2,892	1,681

(c) Employee

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

	2015 HK$'000	2014 HK$'000
Wages, salaries and bonus	3,047	2,824
Retirement scheme contribution	222	152
Welfare	369	84
	3,638	3,060

(d) Five highest paid individuals

The five highest paid individuals of the Group include Nil (2014: four) directors of the Company.

The remuneration paid to the five highest paid individuals (including five (2014: one) individual of senior management) of the Group during the year was as follows:

	2015 HK$'000	2014 HK$'000
Salaries and bonus	2,668	1,303

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

(d) Five highest paid individuals (Continued)

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

	2015	2014
Nil–HK$1,000,000	5	5

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

	2015 HK$'000	2014 HK$'000
Bank charges	75	71
Interests on interest-bearing borrowings and bank overdrafts wholly repayable within five years	–	2,974
Promissory note (Note 33)	2,188	1,780
Interest on obligations under finance leases	–	2
	2,263	4,827

13. TAXATION

	2015 HK$'000	2014 HK$'000
Current tax:		
– Hong Kong	57	64
– Malaysia	44	–
	101	64
Overprovision in prior year		
– Malaysia	–	(493)
Provision/(reversal) of deferred tax recognised in the current year (Note 30)	38,622	(6,821)
	38,723	(7,250)

13. TAXATION (CONTINUED)

Hong Kong

Hong Kong Profits Tax is calculated at 16.5% (2014:16.5%) of the estimated assessable profit for the year.

Malaysia

Malaysia Income Tax is calculated at the statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the year. The corporate tax 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% (2014: 20%) for the year and the amount of chargeable income exceeding Malaysian Ringgit 500,000 is charged at the rate of 25% (2014: 25%) for the year.

The PRC

The PRC Enterprise Income Tax ("PRC EIT") is calculated at the applicable tax rates in accordance with the relevant laws and regulations in the PRC.

Under the PRC Enterprise Income Tax Law (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of a PRC subsidiary is 25% from 1 January 2008 onwards.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The income tax expense for the year ended 31 December 2015 and 2014 can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015 HK$'000	2014 HK$'000
Profit/(loss) before taxation	190,895	(137,496)
Income tax expense calculated at 25% (2014: 25%)	47,724	(34,374)
Tax effect of recognised temporary difference	(1,701)	(6,821)
Tax effect of income not taxable for tax purposes	(1)	(114)
Tax effect of expenses not deductible for tax purposes	5,539	17,887
Effect of different tax rates of subsidiaries operating in other jurisdictions	(16,498)	10,532
Effect of estimated tax losses not recognised	3,660	5,640
	38,723	(7,250)

14. EARNING/(LOSS) PER SHARE

The calculation of basic and diluted earnings/(loss) per share attributable to owners of the Company is based on the following data:

	2015 HK$'000	2014 HK$'000
Profit/(loss) attributable to owners of the Company	156,498	(115,556)

	2015	2014 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share (Note)	724,663,579	275,442,166

Note:

The number of ordinary shares adopted in the calculation of the basic and diluted earnings/(loss) per share for the year ended 31 December 2015 has been adjusted to reflect the impact of the share consolidation and issue of shares pursuant to open offer effected during the respective reporting periods. The number of ordinary shares for the year ended 31 December 2014 has also been restated to reflect the impact of share consolidation and issue of shares pursuant to open offer on a retrospective basis.

The basic and diluted earnings/(loss) per share from operations are the same for years ended 31 December 2015 and 2014 respectively, as the effect of the share options outstanding as at 31 December 2015 and 2014 would be anti-dilutive and were not included in the calculation of diluted earnings/(loss) per share.

15. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the year ended 31 December 2015 (2014: Nil).

16. PROPERTY, PLANT AND EQUIPMENT

	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 2014	113,870	51,756	61,651	446	2,000	1,513	39,345	270,581
Additions	–	–	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 and 1 January 2015	–	669	7,204	–	2,000	1,487	39,291	50,651
Additions	–	–	59	–	–	90	–	149
Disposals	–	–	–	–	–	(77)	–	(77)
Exchange alignment	–	(5)	(448)	–	–	(17)	–	(470)
As at 31 December 2015	–	664	6,815	–	2,000	1,483	39,291	50,253
Accumulated depreciation								
As at 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
Disposals	(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 and 1 January 2015	–	436	6,950	–	2,000	733	39,291	49,410
Charge for the year	–	104	168	–	–	294	–	566
Disposals	–	–	–	–	–	(72)	–	(72)
Exchange alignment	–	(5)	(412)	–	–	(14)	–	(431)
As at 31 December 2015	–	535	6,706	–	2,000	941	39,291	49,473
Carrying amount								
As at 31 December 2015	**–**	**129**	**109**	**–**	**–**	**542**	**–**	**780**
As at 31 December 2014	–	233	254	–	–	754	–	1,241

As at 31 December 2015, the carrying amount of the Group's motor vehicles included an amount of HK$nil (2014: HK$25,000) in respect of assets held under finance leases.

17. PREPAID LEASE PAYMENTS

	2015 HK$'000	2014 HK$'000
Cost		
As at the beginning of the year	–	19,287
Disposal	–	(18,062)
Exchange alignment	–	(1,225)
As at the end of the year	–	–
Accumulated amortisation		
As at the beginning of the year	–	1,357
Amortisation during the year	–	48
Disposal	–	(1,412)
Exchange alignment	–	7
As at the end of the year	–	–
Carrying amount		
As at the end of the year	–	–

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

During the year ended 31 December 2014, the Group had disposed all its prepaid lease payments.

18. GOODWILL

	2015 HK$'000	2014 HK$'000
Cost		
As at the beginning of the year	204,504	186,340
Additional amounts recognised from business combinations occurred during the year (note 34)	–	26,066
Exchange alignment	(21,624)	(7,902)
As at the end of the year	182,880	204,504
Accumulated impairment losses		
As at the beginning of the year	164,837	146,623
Impairment loss recognised during the year (note a & b)	13,601	26,116
Exchange alignment	(21,624)	(7,902)
As at the end of the year	156,814	164,837
Carrying amount		
As at the end of the year	26,066	39,667

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

	2015 HK$'000	2014 HK$'000
Home business accessories (note a)	–	13,601
Provision of applications on mobile platforms (note b)	–	–
Provision of advertising on mobile platforms (note c)	26,066	26,066
	26,066	39,667

The directors of the Company had assessed the recoverable amount of goodwill as at 31 December 2015 by reference to the valuations as at 31 December 2015 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:

	2015 HK$'000	2014 HK$'000
Goodwill	–	13,601

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 10.96% (2014: 24.37%). Cash flows beyond the 5-year period are extrapolated using nil (2014: 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 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 2015, the impairment loss of goodwill was recognised to the consolidated statement of profit or loss and other comprehensive income was approximately HK$13,601,000 (2014: HK$7,304,000) as the home business accessories operations does not turnout as previously expected due to a more stringent and competitive environment led to decrease in sale order of home business accessories operations.

The key assumptions used in the value in use calculations are as follows:

Budgeted market share and sales	Average market share and sales in the period immediately before the budget period is expected to be unchanged over the budget period. The values assigned to the assumptions reflect past experience, except for the growth factor, which is consistent with management plans for focusing operations by the industry. Management believes that the planned market share growth and budgeted sales over the budget period is reasonably achieveable.
Budgeted gross margin	Average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements.

18. GOODWILL (CONTINUED)

Note: (Continued)

(b) The directors of the Company has appointed an independent valuer to perform a business valuation on the CGU of provision of 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:

	2015 HK$'000	2014 HK$'000
Goodwill	–	–
Intangible asset:		
Mobile application software and technology (Note 19)	20,619	30,928
	20,619	30,928

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 15.55% (2014: 13.48%). Cash flows beyond the 5-year period are extrapolated using a 5% (2014: 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 2015, the impairment loss of goodwill and intangible assets was recognised to the consolidated statement of profit or loss and other comprehensive income was approximately nil (2014: HK$18,812,000) and approximately nil (2014: HK$18,072,000) 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$20,619,000 (2014: HK$30,928,000), any adverse change in assumption used in the calculation of recoverable would result in further losses.

18. GOODWILL (CONTINUED)

Note (Continued):

(c) 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 16.76% (2014: 15.87%). Cash flows beyond the 5-year period are extrapolated using a 5% (2014: 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 advertising on the mobile platforms containing goodwill and intangible assets which was acquired from the business combination during year ended 31 December 2015.

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 on mobile platforms are as follows:

	2015 HK$'000	2014 HK$'000
Goodwill	26,066	26,066
Intangible asset:		
Brand name and distribution network (Note 19)	56,700	56,700
	82,766	82,766

The key assumptions used in the value in use calculations are as follows:

Budgeted market share and sales	Average market share and sales in the period immediately before the budget period is expected to be unchanged over the budget period. The values assigned to the assumptions reflect past experience, except for the growth factor, which is consistent with management plans for focusing operations by the industry. Management believes that the planned market share growth and budgeted sales over the budget period is reasonably achieveable.
Budgeted gross margin	Average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements.

19. INTANGIBLE ASSETS

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

	Logo HK$'000	Product development and design HK$'000	Contract rights HK$'000	Mobile application software and technology HK$'000	Brand name and distribution network HK$'000	Total HK$'000
Cost						
As at 1 January 2014	148	629,637	1,199,321	98,000	–	1,927,106
Addition arising from acquisition of subsidiaries (Note 34)	–	–	–	–	56,700	56,700
As at 31 December 2014, 1 January 2015 and 31 December 2015	**148**	**629,637**	**1,199,321**	**98,000**	**56,700**	**1,983,806**
Accumulated amortisation and impairment						
As at 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	–	–	–	18,072	–	18,072
As at 31 December 2014 and 1 January 2015	148	629,637	1,119,321	67,072	–	1,896,178
Amortisation for the year	–	–	–	10,309	–	10,309
As at 31 December 2015	**148**	**629,637**	**1,119,321**	**77,381**	**–**	**1,906,487**
Carrying amount						
As at 31 December 2015	**–**	**–**	**–**	**20,619**	**56,700**	**77,319**
As at 31 December 2014	–	–	–	30,928	56,700	87,628

Amortisation charge of approximately HK$10,309,000 (2014: HK$19,600,000) for the year is included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

The intangible assets "logo", "product development and design", "contract rights" and "mobile application software and technology" as above amortised over its estimated useful lives, which are 5, 5, 10 and 5 years respectively.

19. INTANGIBLE ASSETS (CONTINUED)

Impairment of intangible assets

Mobile application software and technology

During the year ended 31 December 2015, the directors of the Company assessed the recoverable amount of the intangible assets of mobile application software and technology and recognised an impairment loss of approximately HK$Nil (2014: HK$18,702,000) for mobile application software and technology. The discount rate used and other key assumptions used in the value in use calculation are disclosed in note 18 to the consolidated financial statements. The impairment losses have been included in the consolidated statement of profit or loss and other comprehensive income.

Brand name and distribution network

During the year ended 31 December 2015, the directors of the Company assessed the recoverable amount of the intangible assets of brand name and distribution network. The discount rate used and other key assumptions used in the value in use calculation are disclosed in note 18 to the consolidated financial statements.

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 HK$'000	2014 HK$'000
Equity securities at fair value:		
Listed outside Hong Kong	–	51

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 2015 and 2014, 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 2015, an impairment loss of approximately HK$51,000 was included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income. For the year ended 31 December 2014, the impairment loss of approximately HK$39,261,000 was recognised by reclassification from the equity.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 HK$'000	2014 HK$'000
Listed equity securities in Hong Kong	297,273	3,050

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. PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries are set out below:

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 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 Corporation Limited	Hong Kong 26 November 1999	HK$2	100%	Hardware and software development
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 and provision consultancy of services
Biotag International Limited	BVI 29 August 2011	US$2	100%	Investment holding
Tag Station MSC Sdn. Bhd.	Malaysia 22 January 2009	RM5,000,010	100%	Research, development of RFID solution and provision of consultancy services

22. PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation or establishment	Ordinary share/ registered capital	Percentage of equity attributable to the Company	Principal activities
RCG Matrix Sdn. Bhd.	Malaysia 13 July 2009	RM40,000,000	100%	Business of trading and distribution of computer the technology products
Brilliant Easy Limited	BVI 2 June 2011	US$100	60%	Investment holding
Han Technology Company Limited	Hong Kong 9 April 2005	HK$10	60%	Trading of sensor, transistor and accessories
Most Ideas Limited	BVI 3 January 2012	US$50,000	55%	Investment holding
MG Interactive Limited	Hong Kong 21 June 2006	HK$1,000	55%	Development of Internet and web software
MG Interactive Entertainment Limited	Hong Kong 6 March 2007	HK$980,000	55%	Development of Internet and web software
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
盈科創見科技(深圳)有限公司	PRC 9 August 2012	RMB1,000,000	74%	Computer system developments

* Wholly-owned foreign enterprises in the PRC.

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

23. INVENTORIES

	2015 HK$'000	2014 HK$'000
Raw materials	–	38
Finished goods and goods for sale	–	3,102
	–	3,140
Less: Written down of inventories	–	(3,140)
	–	–

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 to be made for the year ended 31 December 2014.

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

	2015 HK$'000	2014 HK$'000
0–30 days	2,311	2,172
31–60 days	656	2,141
61–90 days	1,047	155
91–180 days	578	401
Over 180 days	11,847	930,315
	16,439	935,184
Impairment loss on trade receivables	–	(929,867)
	16,439	5,317

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

The trade receivables are generally on 30–180 day credit terms.

Past due but not impaired

Included in the Group's trade receivables balances are debts with carrying amount of HK$34,000 (2014: HK$448,000) 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

	2015 HK$'000	2014 HK$'000
Over 180 days	34	448

24. TRADE RECEIVABLES (CONTINUED)

Impaired trade receivables

In determining the recoverability of a trade receivables, 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

	2015 HK$'000	2014 HK$'000
Balance at beginning of the year	929,867	1,292,857
Impairment losses recognised on trade receivables	–	678
Impairment losses reversed	–	(1,260)
Amounts written off during the year as uncollectible	(929,639)	(341,766)
Exchange alignment	(228)	(20,642)
Balance at end of the year	–	929,867

For the year ended 31 December 2015, the directors of the Company assessed the recoverable amounts of trade receivables, no specific impairment losses recognised on trade receivables that had been pursued through legal means (2014: impairment losses of approximately HK$678,000 were recognised). The Group does not hold any collateral over these balances.

Age of impaired trade receivables

	2015 HK$'000	2014 HK$'000
Overdue by		
Over 180 days	–	929,867

25. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2015 HK$'000	2014 HK$'000
Prepayments	19,769	34,022
Other deposits	603	647
Other receivables	29,899	36,021
	50,271	70,690

As at 31 December 2015, other receivables mainly comprise of amount receivable for disposal of Xian Hui Investment Limited of approximately HK$7,000,000 (2014: HK$12,000,000) and of I-Century Limited of approximately HK$3,421,000 (2014: HK$3,421,000).

In view of directors of the Company, the receivable amount of disposal of subsidiaries are still recoverable.

26. CASH AND CASH EQUIVALENTS

	2015 HK$'000	2014 HK$'000
Cash at bank and on hand	304,049	116,220
Cash at other financial institutions	1,672	22,706
	305,721	138,926
Less: Fixed deposits	–	(162)
Cash and cash equivalents	305,721	138,764

As at 31 December 2014, the Group's fixed deposit of approximately HK$162,000 was pledged to secure the guarantee of the Company's subsidiary.

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

	2015 HK$'000	2014 HK$'000
Malaysian Ringgit	3,253	–
US Dollars	1,789	300
Renminbi	52	–

26. CASH AND CASH EQUIVALENTS (CONTINUED)

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

Cash at banks earns interest at floating rates based on daily bank 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 credit worthy banks with no recent history of default.

27. SHARE CAPITAL

		Number of shares		Share capital	
	Notes	2015	2014	2015 HK$'000	2014 HK$'000
Authorised:					
Ordinary shares of HK$0.04 each (2014: Ordinary shares of HK$0.01) each		2,250,000,000	9,000,000,000	90,000	90,000
Issued and fully paid:					
At the beginning of the year		1,002,486,496	835,406,496	10,025	8,354
Placing of shares	(a)	–	167,080,000	–	1,671
Share consolidation	(b)	(751,864,872)	–	–	–
Issue of shares pursuant to open offer	(c)	1,253,108,120	–	50,124	–
At the end of the year		1,503,729,744	1,002,486,496	60,149	10,025

The following movements in the Company's authorised and issued share capital took place during the period from 1 January 2014 to 31 December 2015:

Notes:

(a) 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.

(b) The Company's share consolidation was effective on 20 July 2015 pursuant to the resolution passed at the special general meeting on 17 July 2015. Consolidation of every four shares of HK$0.01 each into one consolidated share of HK$0.04 each.

(c) On 25 August 2015, 1,253,108,120 shares of HK$0.04 each were issued by way of open offer at a price of HK$0.25 per share for net proceeds of approximately HK$306,981,000. The excess of the open offer over the par value of the shares issued was credited to the share premium of the Company. The Company intends to apply the net proceeds from the open offer for (i) 90% of net proceeds for business development of Azooca and other possible investment opportunities which may arise from time to time; and (ii) 10% for general working capital for existing business of the Group.

28. RESERVES

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.

(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 2015 (2014: nil).

(b) Employee share-based compensation reserve

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

(c) Capital reserve

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

29. OBLIGATIONS UNDER FINANCE LEASES

Leasing arrangements

It is the Group's policy to lease certain of its motor vehicles under finance leases during the years ended 2015 and 2014. The average lease term is 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 rate underlying all obligations under finance lease during the year ended 2015 and 2014 are fixed at respective contract dated weight average rate of 4.50% per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
Amounts payable under finance leases:				
Within one year	–	16	–	9
In the second to fifth years inclusive	–	–	–	–
	–	16	–	9
Less: Future finance charges	–	(7)	–	–
Present value of finance leases	–	9	–	9
Less: Amount shown under current liabilities			–	(9)
Amount shown under non-current liabilities			–	–

The obligations under finance leases have been fully repaid during the year ended 31 December 2015.

30. DEFERRED TAX LIABILITIES

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

	Intangible assets HK$'000	Unrealised gain on held for trading investment HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
As at 1 January 2014	11,319	–	694	12,013
Credited to consolidated statement of profit or loss and other comprehensive income (Note 13)	(6,216)	–	(605)	(6,821)
As at 31 December 2014 and 1 January 2015	5,103	–	89	5,192
Charged to consolidated statement of profit or loss and other comprehensive income (Note 13)	(1,701)	40,323	–	38,622
As at 31 December 2015	**3,402**	**40,323**	**89**	**43,814**

31. TRADE PAYABLES

	2015 HK$'000	2014 HK$'000
31–60 days	–	1
Over 90 days	12,460	6,363
	12,460	6,364

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.

32. ACCRUALS AND OTHER PAYABLES

	2015 HK$'000	2014 HK$'000
Accruals	17,640	22,272
Other payables	6,955	14,116
	24,595	36,388

33. PROMISSORY NOTES

	2015 HK$'000	2014 HK$'000
At 1 January	59,412	–
Acquisition of subsidiaries (Note 34)	–	57,782
Interest expenses (Note 12)	2,188	1,780
Prepayment of coupon interests	(300)	(150)
Settlement of promissory notes	(61,300)	–
At 31 December	–	59,412

On 30 September 2014, the Company's subsidiary, Biotag International Limited issued promissory note (the "Promissory Note") in principal amount of HK$60,000,000 due on 31 December 2014 and 31 March 2015. The Promissory Note was issued for acquiring the 74% shareholding interests in Easy Ideas Limited (Note 34) and bear interest at 3% per annum, payable annually in arrears. The effective interest rate is 5.23%. The Promissory Note was repaid during the year ended 31 December 2015.

34. ACQUISITION OF A SUBSIDIARY

During the year ended 31 December 2014, the Group had acquired 74% of the entire issued share capital of Easy Ideas Limited (the "Easy Idea"), for cash of HK$9,560,000 and Promissory Notes 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)

34. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Acquisition-related costs of approximately HK$148,000 are included in the consolidated statement of profit or loss and other comprehensive income.

Had the above acquisitions taken place at the beginning of the year ended 31 December 2014, the Group's revenue 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.

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

The table below show 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)/profit attributable to the non-controlling interests		Accumulated non-controlling interests	
		As at 31 December 2015	As at 31 December 2014	For the year ended 31 December 2015 HK$'000	For the year ended 31 December 2014 HK$'000	As at 31 December 2015 HK$'000	As at 31 December 2014 HK$'000
Most Ideas Limited (Note a)	Hong Kong	45%	45%	(4,217)	(14,687)	11,367	15,584
Easy Ideas Limited (Note b)	Hong Kong	26%	26%	(123)	45	14,424	14,547
Individual immaterial subsidiaries with non-controlling interests						1,840	1,826
						27,631	31,957

Notes:

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

(b) 盈科創見科技(深圳)有限公司 and Techono 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 presents amounts before intragroup eliminations.

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

Most Ideas Limited and its wholly-owned subsidiaries

	2015 HK$'000	2014 HK$'000
Non-current assets	20,791	31,000
Current assets	9,042	9,542
Current liabilities	(1,170)	(806)
Non-current liabilities	(3,402)	(5,103)
Equity attributable to owners of the Company	13,894	19,049
Non-controlling interest	11,367	15,584

	For the year ended 31 December 2015 HK$'000	For the year ended 31 December 2014 HK$'000
Revenue	6,525	5,222
Expenses	(15,897)	(37,861)
Loss for the year	(9,372)	(32,639)
Other comprehensive income for the year	–	–
Total comprehensive loss for the year	–	–
Loss and total comprehensive loss attributable to owners of the Company	(5,155)	(17,952)
Loss and total comprehensive loss attributable to the non-controlling interest	(4,217)	(14,687)
Loss and total comprehensive loss for the year	(9,372)	(32,639)

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

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

	For the year ended 31 December 2015 HK$'000	For the year ended 31 December 2014 HK$'000
Net cash (used in)/generated from operating activities	(2,508)	3,081
Net cash used in investing activities	(61)	–
Net cash (outflow)/inflow	(2,569)	3,081

Easy Ideas Limited and its wholly-owned subsidiaries

	2015 HK$'000	2014 HK$'000
Non-current assets	56,701	56,713
Current assets	1,682	1,731
Current liabilities	(2,906)	(2,494)
Non-current liabilities	–	–
Equity attributable to owners of the Company	41,053	41,403
Non-controlling interests	14,424	14,547

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

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

	For the year ended 31 December 2015 HK$'000	For the year ended 31 December 2014 HK$'000
Revenue	450	650
Expenses	(914)	(478)
(Loss)/profit for the year	(464)	172
Other comprehensive income for the year	–	–
Total comprehensive loss for the year	(464)	172
(Loss)/profit and total comprehensive (loss)/income attributable to owners of the Company	(341)	127
(Loss)/profit and total comprehensive (loss)/income attributable to the non-controlling interests	(123)	45
(Loss)/profit and total comprehensive (loss)/income for the year	(464)	172

	For the year ended 31 December 2015 HK$'000	For the year ended 31 December 2014 HK$'000
Net cash (used in)/generated from operating activities	(497)	121
Net cash (outflow)/inflow	(497)	121

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2015 HK$'000	2014 HK$'000
Financial assets		
Financial assets at fair value through profit or loss	297,273	3,050
Loan and receivables (including cash and bank balances)	352,059	180,264
Available-for-sale financial assets	–	51
Financial liabilities		
Amortised cost	37,055	102,173

(b) Financial risk management objective and policies

Market Risk

Price Risk

The Group's major financial instruments include financial assets at fair value through profit or loss, trade receivable, other receivables, trade payables, other payables, promissory notes and obligations under finance leases. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group is exposed to equity price risk mainly through its investment in listed equity securities. The directors of the Company manage 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 industry sector quoted in The Stock of Exchange of Hong Kong Limited for the year ended 31 December 2015. 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 (2014: 15% higher/lower):

- post-tax profit for the year ended 31 December 2015 would increase/decrease by HK$37,233,000 (2014: post-tax profit increase/decrease by HK$458,000) as a result of change in fair value of financial assets at fair value through profit or loss.

- other comprehensive income for the year ended 31 December 2015 would increase/decrease by nil (2014: other comprehensive income increase/decrease by HK$8,000) as a result of change in fair value of available-for-sales financial assets.

36. FINANCIAL INSTRUMENTS (CONTINUED)

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

Market Risk (Continued)

Foreign currency risk

The Group has not used any financial instruments to hedge against 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 statement of profit or loss and other comprehensive income arising from the denominated monetary item in the next year should the foreign currencies exchange rate be changed.

	2015 HK$'000	2014 HK$'000
Change of exchange difference		
Change of foreign currencies exchange rate by 5%:		
– Renminbi	–	–
– Malaysian Ringgit	163	–

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.

Interest rate risk

The Group's interest rate risk mainly arises from obligations under finance leases. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk during both year.

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

36. FINANCIAL INSTRUMENTS (CONTINUED)

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

Credit risk

It is the risk that a counterparty is unable to pay amount in full when due. It arises primarily from the Group's trade receivables. The Group limits its exposure to credit risk by rigorously selecting counterparties. The Group mitigates its exposure to risk relating to trade receivables by dealing with diversified customers with sound financial standing. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. In addition, all receivables balances are monitored on an ongoing basis and overdue balances are followed up by senior management. The amounts presented in the consolidated statement of financial position are net of allowances for doubtful receivables, if any, estimated by the management based on prior experience and the current economic environment. The Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors believe that the credit risk is significantly reduced. The Group has a concentration of credit risk in certain individual customers. At the end of each reporting period, the five largest receivable balances accounted for 79.3% as at 31 December 2015 (2014: 91.0%) of the trade receivables and the largest trade receivable was 21.6% (2014: 61.7%) of the Group's total trade receivables. The Group seeks to minimise its risk by dealing with counterparties which have good credit history. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

In relation to the Group's deposits with bank, the Group limits its exposure to credit risk by placing deposits with financial institutions with high credit rating and no recent history of default. The directors consider that the Group's credit risk on the bank deposits is low. Management continues to monitor the position and will take appropriate action if their ratings should change. As at 31 December 2015 and 2014, the Group has no significant concentration of credit risk in relation to deposits with bank.

Liquidity risk

The following tables detail the Group's remaining contractual maturity for its non-derivate financial liabilities based on the agreed repayment terms as at 2015 and 2014. 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 maturity dates for non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

		Contractual undiscounted cash flow					
	Weighted average effective interest rate	Within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000	Total carrying amount HK$'000
As at 31 December 2015							
Non-derivative financial liabilities							
Trade payables	–	12,460	–	–	–	12,460	12,460
Accruals and other payables	–	24,595	–	–	–	24,595	24,595
		37,055	–	–	–	37,055	37,055
As at 31 December 2014							
Non-derivative financial liabilities							
Trade payables	–	6,364	–	–	–	6,364	6,364
Accruals and other payables	–	36,388	–	–	–	36,388	36,388
Promissory note	5.23%	59,412	–	–	–	59,412	59,412
Obligation under finance leases	4.50%	16	–	–	–	16	9
		102,180	–	–	–	102,180	102,173

36. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value estimation

Financial instruments that are measured in the consolidated statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

– Level 1: fair value 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 using valuation techniques in which any significant input is not based on observable market data

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

	Level 1 HK$'000
As at 31 December 2015	
Financial asserts at fair value through profit or loss:	
Listed equity securities in Hong Kong	297,273
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

36. 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 2014 to 2015.

The capital structure of the Group consists of net debts (obligations under finance lease and promissory note as details in note 29 and 33 respectively offset by cash at bank and on hand) and equity of the Group (comprising issued capital, reserves, and retained earnings as stated in consolidated statement of changes in equity).

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

	2015 HK$'000	2014 HK$'000
Debt (i)	–	59,421
Less: Cash and bank balances (Note 26)	(305,721)	(138,926)
Net debt	(305,721)	(79,505)
Equity (ii)	664,602	206,532
Net debt to equity ratio	N/A	N/A

(i) Debt is defined as obligations under finance lease and promissory note as described in note 29 and 33 respectively.

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

37. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY

	2015 HK$'000	2014 HK$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	30,928	30,928
Available-for-sale financial assets	–	51
	30,928	30,979
Current assets		
Deposits, prepayments and other receivables	1,982	258
Cash and bank balances	284,008	3
	285,990	261
Total assets	316,918	31,240
CAPITAL AND RESERVES		
Share capital	60,149	10,025
Reserves (note ii)	223,975	(4,026)
Equity attribute to owners of the Company	284,124	5,999
LIABILITIES		
Current liabilities		
Amounts due to subsidiaries (note (i))	17,373	5,408
Accruals and other payables	15,421	19,833
Total liabilities	32,794	25,241
Total equity and liabilities	316,918	31,240
Net current assets/(liabilities)	253,196	(24,980)
Total assets less current liabilities	284,124	5,999

The financial statements were approved and authorised for issue by the board of directors of the Company on 29 February 2016 and signed on its behalf by:

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

37. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY (CONTINUED)

Note:

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

(ii) Reserves of the Company:

	Share premium HK$'000 (note 28(a))	Employee share-based compensation reserve HK$'000 (note 28(b))	Capital reserve HK$'000 (note 28(c))	Available-for-sales securities revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 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	(136,029)	(97,123)
Lapse of share options	–	(371)	–	–	371	–
Placing of shares	42,322	–	–	–	–	42,322
As at 31 December 2014 and 1 January 2015	2,245,190	4,699	8,877	–	(2,262,792)	(4,026)
Loss for the year	–	–	–	–	(28,856)	(28,856)
Other comprehensive loss for the year	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	(28,856)	(28,856)
Issues of share pursuant to the open offer	263,153	–	–	–	–	263,153
Open offer expenses	(6,296)	–	–	–	–	(6,296)
As at 31 December 2015	2,502,047	4,699	8,877	–	2,291,648	223,975

38. 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 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 Notes.

39. CONTINGENT LIABILITIES

As at 31 December 2015, the Group had no contingent liabilities (2014: Nil).

40. OPERATING LEASE ARRANGEMENTS

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.

	2015 HK$'000	2014 HK$'000
Within one year	–	245
Within two to five years	–	163
	–	408

The Group as lessee:

The Group entered into commercial leases on certain warehouses. Leases are generally negotiated for a term of two years. Rentals are fixed at the date of signing of lease agreement. At the end the year ended date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follow:

	2015 HK$'000	2014 HK$'000
Within one year	444	809
Within two to five year	–	444
	444	1,253

41. CAPITAL COMMITMENT

The Group did not have capital commitment as at 31 December 2015 and 2014.

42. EMPLOYEE SHARE-BASED COMPENSATION RESERVE

	2015 HK$'000	2014 HK$'000
As at the beginning of the year	4,669	5,070
Exercise/cancellation/lapse of share options	–	(371)
As at the end of the year	4,699	4,669

(a) 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 2015 and 2014, the Company had not granted any share options to the staff.

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

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

	Post Listing Scheme			
	2015		2014	
	Weighted average exercise price per share (adjusted) (note)	Number of options (adjusted) (note)	Weighted average exercise price per share	Number of options
Outstanding as at the beginning of the year	HK$25.44	316,295	HK$8.21	1,060,000
Lapsed	–	–	HK$8.21	(80,000)
Outstanding as at the end of the year	HK$25.44	316,295	HK$8.21	980,000

As at 31 December 2015, 316,295 (2014: 980,000) share options were outstanding with a weighted average exercise price of HK$25.44 (2014: HK$8.21) under the Post Listing Scheme.

Note: For the year 2014, the directors of the Company has assessed the net realisable values and condition of the Group's inventories and have considered no write-down of obsolete inventories. Pursuant to the terms of the Post Listing Scheme adopted on 16 October 2008, the exercise price of the share options granted and the number of shares to be allotted and issued upon exercise in full of the subscription rights attaching to the outstanding share options have adjusted to HK$25.44 and 316,295 respectively, with effect from 25 August 2015, as a result of the share consideration and open offer of ordinary share of the Company.

42. EMPLOYEE SHARE-BASED COMPENSATION RESERVE (CONTINUED)

(c) As at 31 December 2015 and 2014, outstanding share options have the following remaining contractual lives and exercise prices:

	2015		2014	
Exercise prices	Remaining contractual life	Number of options	Remaining contractual life	Number of options
Posting Listing Scheme HK$25.44 (adjusted)	4.3 years	316,295	5.30 years	980,000

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

Date of grant	29 April 2010
Option value	HK$4.64
Variables:	
– Exercise price (adjusted)	HK$25.44
– Closing price at date of grant	HK$8.20
– Risk free rate	2.57%
– Expected volatility (note (i))	66%
– Expiration of the option	28 April 2020
– Option life (expected weighted average life)	10 years
– Expected ordinary dividends	0.92%

(i) The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily prices over the one year immediately preceding the grant date.

(ii) The above calculation is based on the assumption that there is no material difference between the expected volatile over the whole life of the options and the historical volatility of the shares in AIM set out as above.

43. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	2015 HK$'000	2014 HK$'000
Salaries and bonus	1,110	1,620
Retirement scheme contribution	–	61
	1,110	1,681

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

44. EVENTS AFTER THE REPORTING PERIOD

On 26 January 2016, the Company has granted 25,000,000 share options to subscribe for ordinary shares of par value HK$0.04 each of the Company, representing approximately 1.66% of the issued shares of the Company, were granted by the Company under its share option scheme approved and adopted by the Company on 28 June 2013 to eligible participants of the Company (the "Grantees"), subject to the acceptance of the Grantees. None of the Grantees is a Director, chief executive or substantial shareholder of the Company, or their respective associates.

45. COMPARATIVES

Certain comparative figures have been reclassified to confirm with current year's presentation or restated to disclose the impact of the share consolidation and open offer. These reclassification have no impact on the Group's loss for the year 31 December 2014 and the Group's total equity as at 31 December 2014.

46. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the board of directors on 29 February 2016.

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

Hong Kong branch share registrar
Union Registrars Limited

INVESTOR RELATIONS

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

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

WHERE MORE INFORMATION ABOUT RCG IS AVAILABLE

This annual report 2015, and other information on RCG, may be reviewed on RCG's website: www.rcg.tw and RCG's investor relations webpage: www.rcg.todayir.com

Corporate Information

DIRECTORS

Executive Directors:

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

Independent Non-executive Directors:

Mr. Liu Wen *(Chairman)*
Mr. Kwan King Wah
Mr. Tse Chin Pang

COMPANY SECRETARY

Mr. Lo Wah Wai

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HONG KONG LEGAL ADVISER

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BERMUDA LEGAL ADVISER

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REGISTERED AUDITORS

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Certified Public Accountants
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PRINCIPAL BANKERS

HSBC
HSBC Main Building
1 Queen's Road Central
Hong Kong

CIMB Bank Berhad
5/F Menara
A&M Garden Business Centre
Jalan Istana 41000
Klang Selangor Darul Ehsan
Malaysia

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

Definitions

"AGM"	the annual general meeting of the Company to be convened at 4:00 p.m. on 30 June 2016 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"	21 April 2016;
"PRC"	the People's Republic of China;
"RCG China"	RCG China Limited (宏霸數碼科技(北京)有限公司), a wholly foreign owned company established under the laws of the PRC on 14 September 2006 and an indirectly wholly-owned subsidiary of the Company;
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC;
"Ringgit" or "MYR"	Ringgit, the lawful currency of Malaysia; and
"United States dollars" or "US$"	United States dollars, the lawful currency of the United States.

Glossary of Technical Terms

"application"	a functional system made up of software or hardware, or a combination of both, that performs a specific task;
"biometrics"	the identification of a unique, measurable characteristic of a human being. This may be a physical or behavioural characteristic. Common types of biometric technologies include fingerprint recognition, iris scan, facial recognition, vein recognition, hand geometry recognition and voice recognition;
"device"	a machine or tool for a particular purpose;
"EL-1000"	a controller with advance features to manage door access, time attendance and security alarm, a product of the Group;
"facial recognition"	identification of individuals through the analysis of facial features;
"fingerprint authentication"	verification of individuals through the analysis of fingerprint;
"FL-1000"	a industrial controller for access control, a product of the Group;
"FxGuard Windows Logon"	biometric facial recognition software designed for computer access security, a product of the Group;
"g-series"	a product family of biometric drawer-lock using fingerprint recognition and high speed processor, products of the Group;
"GTM 1000"	a RFID-handheld reader of guard tour monitoring solution, a product of the Group;
"hardware"	a comprehensive term for all of the physical parts of a computer, as distinguished from the data it contains or operates on and the software that provides instructions for the hardware to accomplish tasks;
"i-series"	a product family of access control devices using fingerprint recognition and high speed processor, products of the Group;
"i4F"	fingerprint access control with high compatibility with XL-1000, a product of the Group;
"i4X"	fingerprint access control with high compatibility with FL-1000, a product of the Group;
"Internet of Things" or "IoT"	a network of devices tagged with RFID or sensors interconnected via Internet, forming a business intelligence;
"IT"	"Information Technology", anything related to computing technology, such as networking, hardware, software, the Internet, or the people that work with these technologies;

Glossary of Technical Terms

"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*

* For identification only