

RCG

RCG HOLDINGS LIMITED

宏霸數碼集團（控股）有限公司*

(a company incorporated in Bermuda with limited liability)

(Stock Codes: HKSE: 802; AIM: RCG)

INTERIM REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2009

* *For identification purposes only*

CONTENTS

CHAIRMAN'S STATEMENT	3
MANAGEMENT DISCUSSION AND ANALYSIS	6
CONDENSED CONSOLIDATED INCOME STATEMENT	14
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	15
CONDENSED CONSOLIDATED BALANCE SHEET	16
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	18
CONDENSED CONSOLIDATED CASH FLOW STATEMENT	19
NOTES TO THE FINANCIAL STATEMENTS	21
PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES	32
DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES	32
INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON DISCLOSURE UNDER THE SFO	33
SHARE OPTION SCHEME	34
CORPORATE GOVERNANCE	35

CHAIRMAN'S STATEMENT

I am pleased to report another solid set of half year results for RCG on the back of an extremely challenging market for RCG and the global economy as a whole. The Group's revenue for the period ended 30 June 2009 increased by 31.4% from HK\$984.4 million (£63.9 million) to HK\$1,293.7 million (£111.6 million), profit before taxation for the period ended 30 June 2009 increased by 18.0% from HK\$322.5 million (£21.0 million) to HK\$380.5 million (£32.8 million).

Operations

The Group's success is attributed to a concerted effort in anticipating and facing the global financial crisis. The central cost base has been strictly controlled and at the same time the level of commercialisation of RCG's products and solutions has been accelerated. RCG's business operations, which are located in areas less affected by the financial crisis, have benefited from seeing early signs of recovery. Measures implemented by the Board to maintain the Group's growth in the current economic environment have materialised into improvements in business performance, in terms of revenues, profits and contract wins.

The construction of RCG's new headquarters in Malaysia, the RCG Tower, has been completed with the office relocation officially taking place on 17 August 2009. New production lines at the RCG Tower are being set up, and the manufacture of RCG products using the new facility is expected to start by the end of this calendar year. With a significant portion of the Group's revenue being generated from Southeast Asia and the Middle East, the centralisation of RCG's R&D, production, after-sales, back office and administration will ensure that regional offices are continue to be supported and will also achieve substantial cost savings.

The Group continues to focus on the development of cutting edge, competitive and innovative products using RFID and biometric technology to satisfy industry needs which can be quickly taken to market. The Group has placed significant emphasis on increasing the usability of its products and solutions to enable easy installation and to reduce technical support required.

The Group has launched a specialised RFID antenna, the **APT900**, for asset tracking within banks' data centres. The patent-pending product is for a server room operational environment with special features including wide area range readability, high heat transferability, and the ability to operate near metallic surfaces. The product is a part of RCG's RFID asset tracking solution for data centre operation, which was deployed shortly after its development within prominent banks in the PRC. RCG has also developed **E-seal**, an RFID-based solution for container management and anti-tampering.

Following the implementation of an RFID document tracking system for MTRC, the sole provider of railway transportation in Hong Kong, the Group has now successfully managed to further develop this system into a turnkey solution, the **Document Management System (DMS)**, which has been sold into the market. Similarly, following the installation of a **Point-of-Sale (POS)** solution for Sunway Lagoon in Malaysia, the Group also launched a turnkey POS solution for the hospitality industry. The POS system was marketed in Southeast Asia and the Greater China region and has already won several contracts shortly after its launch. RCG also developed a series of generic RFID readers, the **RUS-series**, for access control and personal identification applications and **R10**, a

portable RFID bluetooth reader and writer that can read any Mifare-type tag and transmit information wirelessly. The **R10** can connect to RCG's POS system via a USB serial interface, which provides users with improved flexibility in customer relationship management. The Group also launched a series of industrial controllers, the **XL 1000** and the **EL 1000**, which work with RCG's biometric access control devices and time and attendance software to form a complete solution for industry security needs.

On 8 April 2009, the Group announced its acquisition of a minority stake in **A-1 Development Inc. ("A-1")**, an exclusive information technology and business process outsourcing and consultancy service to China Information Broadcast Network Company Limited ("**CATV**"). CATV is an online content provider and entertainment platform based in the PRC with over 50 million subscribers and users. This strategic investment has significantly strengthened the Group's presence in the PRC and within the lucrative Internet-related business sector. Furthermore, the licensing agreements signed with A-1 for the provision of the Group's FxGuard Windows Logon software and Virtual Storage Workgroup are expected to contribute positively to the Group's overall sales in the coming three financial years, reporting within the Consumer segment.

Following the acquisitions of **Vast Base** and **Chance Best**, the Group has continued to leverage its connections with ticketing suppliers, event organisers, stadium operators and healthcare solutions providers and integrators.

RCG's technology continues to be recognised within the industry and the Group has received a number of important awards in the period. The Group is particularly proud to have been awarded the **Caring Company Logo 2008 / 2009** as recognition of RCG's good corporate citizenship. RCG's Virtual Vision product was awarded the **Silver Award from Hardware Magazine** and the **PC.COM Recommended Award**. Motorola's Enterprise Mobility Division awarded RCG with the **Fast Growth Award**, sealing the Group's position as a leading RFID provider in the PRC.

During the period, the probate action involving the Group's two major shareholders, The Offshore Group Holdings Limited and Veron International Limited, has been progressing in the Hong Kong's high Court of first instance. As both Veron International and Offshore Group have never participated in the daily management of RCG and are not represented on the Board, RCG's operations have not been affected by the probate action.

Share price and trading

The Board is extremely pleased with the results so far achieved by the listing of the Group's shares on the Hong Kong Stock Exchange. On the first day of the Hong Kong listing, the share price gained 47.7% from its debut price of HK\$6.63 (57.2 pence). Prior to the Hong Kong listing, the shares were traded at a monthly average closing price of approximately 33 pence in January 2009. It increased to a monthly average closing price of approximately 62.5 pence in June 2009. The average daily transaction volume significantly increased from around 277,000 shares in January 2009 on the AIM market of the London Stock Exchange to over 1.5 million shares in February 2009. The average daily transaction for the six months following the Hong Kong listing between February to July 2009 was over 1.6 million shares combined on AIM and the Hong Kong markets. Since the Hong Kong listing, the Group's share performance in terms of percentage change in the past six months has performed favourably compared to other biometrics and RFID listed companies and indices such as the Hang

Seng Index, FTSE All Share, FTSE AIM 100 and FTSE Tech Software and Services. The listing in Hong Kong has meant that the Group has achieved its immediate goals of improving share liquidity, allowing Asian-based investors to participate in the Group's growth story and to achieve an improved rating for the Group's shares.

The Group's dual listing in Hong Kong and London has also been accompanied by significant improvements in corporate governance, corporate transparency and disclosure practices, as the Group is now subject to the listing regulatory regime of the two prestigious international stock exchanges.

Outlook

Looking into the second half year of 2009, the Group will continue building its business and focus on RCG's strengths to achieve its targets in cost control and increasing commercialisation of its products, with clear targets in the geographic regions in which the Group operates and within vertical industries RCG has entered into. The Group will continue to seek market entry into other lucrative areas within proximity of RCG's regional offices such as Indonesia, Oman and Abu Dhabi. RCG continues to target specific industries in which the Group has built its expertise and customer base such as in enterprise security and employee management, healthcare, entertainment, logistics, infrastructure, telecommunications and banking. Similar to many analysts and research houses which have forecasted promising growth for the biometrics and RFID industries, RCG continues to be optimistic on the outlook of both industries, including the huge potential in the PRC.

Last but not least I would like to thank our shareholders, business partners, customers and employees for their continuous support to RCG. I am looking forward to continued success in the second half of 2009.

Raymond Chu Wai Man
Chairman and Chief Executive Officer

10 September 2009

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

RCG's revenue and EBITDA during the first six months of 2009 grew by 31.4% and 28.2% respectively as compared with the same period in 2008, despite operating under a backdrop of possibly the most severe global recession since the 1930s. Management remains vigilant and cautious, especially when managing the Group's working capital requirements under this challenging environment.

Performance of business segments

The Group's business is focused on biometrics and RFID and is divided into three business segments: "enterprise", "consumer" and "solutions projects". The Group's products incorporate biometric technology, frequently in conjunction with RFID features. RCG's products often have applications in more than one of its business segments.

A key contributor to the Group's turnover is the **consumer** segment, which focuses principally on residential and personal security products for end-users. Products in this segment include **FxGuard Windows Logon** facial recognition software for computer login, **BioMirage Coffe** biometric storage box and **FxSecure Book** notebook computers with integrated biometric features.

The products under the **enterprise** business segment of the Group are mainly biometric products for commercial use, such as **i-series** and **s-series** biometric fingerprint authentication devices and RFID card readers used for access control, time attendance, visitor management and security applications, **m-series** door locks that use biometric fingerprint authentication technology, and **k-series** multi-modal security devices that use facial recognition technology, fingerprint authentication technology, password and RFID.

In addition to RCG's biometric and RFID related products, the Group also makes bespoke system solutions for end-users using its internally developed software and hardware capabilities supported by the Group's own and third party products as required. This **solutions projects** business segment is mostly used for enterprise management and consumer security protection. The Group focuses on high growth industries such as healthcare, ticket management systems, anti-counterfeit solutions, logistics, banking solutions and theme-park solutions.

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

Business Segment	Period ended 30 June						HK\$ y-o-y growth %
	2009 (unaudited)			2008 (unaudited)			
	HK\$ m	£ m	%	HK\$ m	£ m	%	
Consumer	536.5	46.3	41.5	437.3	28.4	44.4	22.7
Enterprise	490.0	42.3	37.9	386.6	25.1	39.3	26.7
Solutions Projects	267.2	23.0	20.6	160.5	10.4	16.3	66.5
Total Revenue	1,293.7	111.6	100.0	984.4	63.9	100.0	31.4

In the Consumer segment, the Group continues progressively to scale down its RCG branded laptop (Fx-Securebook) sales due to the capital intensive nature and low margins of the product. Other consumer lines such as the BioMirage Coffers (-62.1%) and i-Train software (-37.2%) have also seen a decrease in sales during the first half due to the global economic contraction. Nevertheless, the successful signing of the licensing agreements with A-1 Development Inc. back in April 2009 for the Group's FxGuard Windows Logon software has managed to uplift the Consumer segment with year-on-year sales growth of 22.7%.

For the Enterprise segment, the Group has launched a range of new products, including the **R-series** RFID readers, **XL 1000 and EL 1000 Industrial Controllers**, during the first half of 2009 which has contributed positively to this segment. Up until June 2009, these new products have contributed approximately 6.7% of the overall Enterprise segment sales and the Management is confident that this sales momentum will continue to the second half of this year. Other Enterprise products contributing most to the segment's 28.3% year-on-year sales growth were the S-series and the Virtual Storage Personal and Workgroup licenses, among others. Sales of S-series and Virtual Storage Personal and Workgroup licenses combined grew 62.1% year-on-year, accounting for 32.8% of total Enterprise sales in the six months to 30 June 2009, in comparison with 25.9% in the six months to 30 June 2008.

The Solution Projects segment has seen a sales growth of 66.5% year-on-year due to the commitment and contribution made by Vast Base and Chance Best. RCG is confident and continues to expect an increase in demand for the Group's RFID applications for anti-counterfeiting and hospital management system solutions. The Group is also pleased to report that Vast Base has achieved the required first year profit guarantee entered into at the time of its acquisition by RCG.

In addition to the contribution made by Vast Base and Chance Best, RCG also gained other notable solutions projects in **Greater China**, including contracts won for the provision of cutting edge biometric and RFID solutions to **Beijing Science and Technology Museum, Nokia, Guardforce Security, MTRC Hong Kong and Henderson Land Development Hong Kong**. Earlier this year, the Group launched its asset tracking solution for the financial industry and has successfully won notable projects from major banks in the PRC such as **Bank of China, China Construction Bank (CCB), Industrial and Commercial Bank of China (ICBC), and Dalian Bank**. The Group's performance in Southeast Asia remains strong with the provision of products and solutions to blue-chip clients such as **British American Tobacco Malaysia, Sharp Electronics Malaysia, JW Marriott Hotel Group, MPH Bookstore**, one of the largest book retailers in Malaysia, **YTL Corporation**, one of the largest companies listed on the Bursa Malaysia. RCG continues making progress in penetrating the **Thai** market and has already secured contracts to provide access control solutions for prominent organisations in the region, including government departments, **Asian Property Development**, a manager of boutique residential apartments in Bangkok, **Chulalongkorn Hospital**, and **Suranasee University of Technology**. In the Middle East, RCG has secured contracts with the **Oman Palace, Choithram**, the largest supermarket and department store group in the UAE, **Sharjah Municipality, Heinz Africa & Middle East, Alghurair University, Al Reef International Hospital, and Caterpillar Group**. RCG also entered **Nigeria** with a distributor tie-up and contract wins both in the governmental and private sectors including **Rockview Hotel, Sigma Pension**, a licensed pension fund administrator in Nigeria, and **Nigerian Code of Conduct Bureau**.

Geographical Performance

The Group has regional offices in Kuala Lumpur, Beijing, Shenzhen, Hong Kong, Macau, Bangkok and Dubai and has authorised distributors around the world including in the U.S., Singapore, Indonesia, Vietnam, India, Australia and Nigeria. In the Middle East, the Group's distribution covers Jordan, Kuwait, Lebanon, Qatar, Oman and the UAE, with sales activities performed by the Group's own sales team and through third party distributors. The majority of the Group's revenues are generated from Southeast Asia, the Middle East and the PRC. During the period under review, the Group's had approximately 1,800 distributors and dealers worldwide.

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

Geographical Segments	Period ended 30 June						HK\$ y-o-y growth %
	2009 (unaudited)			2008 (unaudited)			
	HK\$ m	£ m	%	HK\$ m	£ m	%	
Southeast Asia	577.1	49.8	44.6	588.0	38.2	59.8	(1.8)
Greater China	464.4	40.1	35.9	183.4	11.9	18.6	153.2
Middle East	247.3	21.3	19.1	199.9	13.0	20.3	23.7
Other Regions	4.9	0.4	0.4	13.1	0.8	1.3	(62.5)
Total Revenue	1,293.7	111.6	100.0	984.4	63.9	100.0	31.4

Southeast Asia has seen a mild contraction in sales of -1.8% in the first half of 2009 compared to the same period in 2008, due to the slowdown in Consumer segment sales segment during the period by approximately -26.1%. Enterprise segment sales in the region have, however improved by 22.5% while the Solution Projects segment grew slightly by 7.5%. Both Enterprise and Solutions Projects segments have benefited indirectly from the various local governmental stimulus plans implemented to counter the global economic slowdown.

All three segments in the PRC have shown improvements compared with the same period in 2008, with the Consumer segment growing at a rate of 265.9%, the Enterprise segment increased by 3.9% and the Solution Projects segment grew by 139.4%. The Consumer segment's growth was mainly driven by the A-1 licensing deal whereas the Enterprise and Solution Projects segments have both benefited indirectly from the PRC government's RMB4 trillion stimulus programme, an initiative to boost infrastructure development and domestic consumption.

The Middle East's sales have achieved a 23.7% growth in the first half of 2009 compared to the same period in 2008, especially in the Enterprise segment which has seen a 54.7% improvement compared with the first half of last year. This can be attributed to RCG's Middle East sales extending the Group's reach to other lucrative markets in the region such as Jordan, Qatar and Kuwait. Local government's economic stimulus plans also indirectly benefited the Group's sales during the first six months of this year.

Acquisitions

As was announced on 8 April 2009, the Group acquired a 15% equity interest in A-1 Development Inc. in April 2009 for a total consideration of HK\$135 million, which was fully satisfied by issuing 15 million new shares of RCG. The Group considered this minority stake in A-1 as a strategic investment, with future opportunities to participate in the rapid growth of the PRC online gaming

industry, which saw a 76.6% year-on-year growth in 2008. Furthermore, the licensing agreements signed with A-1 for the provision of the FxGuard Windows Logon and Virtual Storage Workgroup software are expected to contribute positively to the Group's overall sales in the coming three financial years.

During the period, there were no disposals of subsidiaries or associated companies of the Group.

Financial Review

Turnover

For the six months period ended 30 June 2009, the Group reported revenues of HK\$1,293.7 million (£111.6 million) representing an increase of 31.4% as compared to HK\$984.4 million (£63.9 million) in the same period last year. The rise in revenues was due to an increase in turnover across all three of the Group's business segments and in particular the Solution Projects segment which grew by 66.5% year-on-year.

Gross profit

Gross profit during the first half of 2009 was HK\$662.7 million (£57.2 million), an increase of 34.0% as compared to HK\$494.5 million (£32.1 million) in the same period in 2008. The Group's gross profit margin improved marginally from 50.2% to 51.2% due mainly to the increased sales of higher margin products such as FxGuard Windows Logon software and the launch of new products such as the R-series RFID Readers and XL Controllers.

Other operating income

Other operating income decreased substantially by 92.2% from HK\$12.9 million (£0.8 million) during the first half of 2008 to HK\$1.0 million (less than £0.1 million) for the same period in 2009 mainly due to a decrease in interest income resulting from the Group holding less cash in longer term deposit, and the general low interest rate regime implemented by monetary authorities around the globe to combat shrinking global consumption patterns.

Administrative expenses

Administrative expenses increased by approximately 49.1% from HK\$149.6 million (£9.7 million) in the first half of 2008 to HK\$223.1 million (£19.2 million) for the same period this year. The increase is commensurate with the Group's increased operations and was also partly a result of the amortisation of intangible assets amounting to HK\$71.4 million (£6.2 million) compared to HK\$27.9 million (£1.8 million) in the same period last year.

Selling and distribution costs

Selling and distribution costs increased by approximately 69.8% from HK\$34.2 million (£2.2 million) in first half 2008 to HK\$58.1 million (£5.0 million) in first half of 2009. This was mainly attributable to an increase in marketing activities such as organising dealers' workshops, mobile advertising, exhibitions and various product promotional activities designed to boost sales. As a percentage of revenues, selling and distribution expenses increased slightly to 4.5% in the first half of 2009 from 3.5% in the first half of 2008.

Finance costs

Finance costs increased from HK\$1.1 million (less than £0.1 million) in the first six months of 2008 to HK\$2.0 million (£0.2 million) in the same period this year. The increase was attributable to the increased utilisation of external interest-bearing financing facilities for working capital purposes.

Profit before taxation

Profit before taxation achieved for the period under review was HK\$380.5 million (£32.8 million), an increase of 18.0% as compared to HK\$322.5 million (£21.0 million) during the same period in 2008. Profit before tax for the period ended 30 June 2009 was approximately 29.4% of total sales compared with 32.8% for the period ended 30 June 2008.

Income tax expense

Income tax expense increased from HK\$0.9 million (less than £0.1 million) in the first half of 2008 to HK\$4.2 million (£0.4 million) in the same period this year. The effective tax rate increased from 0.3% to 1.1%. The increase in the effective tax rate was mainly due to an increase in revenue contribution from high tax rate jurisdictions such as Malaysia and the PRC.

Profit attributable to the equity holders of the Company

Profit attributable to the equity holders of the Company increased by approximately 14.4% from HK\$326.8 million (£21.2 million) during the first six months of 2008 to HK\$373.9 million (£32.3 million) in the same period this year. Profit attributable to the equity holders of the company for the period ended 30 June 2009 was approximately 28.9% of the total sales compared with 33.2% for the period ended 30 June 2008.

Review of the Group's Financial Position as at 30 June 2009

Liquidity and Capital Resources

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

The Group incurred capital expenditure of HK\$102.4 million (£8.8 million) for the six months period ended 30 June 2009 (1H2008: HK\$65.2 million (£4.2 million)), mainly for the acquisition of property, plant and equipment and investment in research and developments.

The following table sets forth capital expenditures for the periods indicated:

	Period Ended 30 June			
	2009 (unaudited)		2008 (unaudited)	
	HK\$'000	£ '000	HK\$'000	£ '000
Purchase of property, plant and equipment	58,136	5,016	25,808	1,677
Investment in research and development	44,225	3,816	39,410	2,561
	102,361	8,832	65,218	4,238

The Group's capital expenditure for the six months period ended 30 June 2009 amounted to HK\$102.4 million (£8.8 million). The capital expenditure incurred during the first half of 2009 was primarily on R&D and the construction costs of the RCG Tower, including for furniture, fixtures and equipment. For the remainder of 2009, the management expects to continue incurring capital expenditure at a similar level. The Group finances its capital expenditure requirements primarily with cash generated from its operations.

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.

Although the Group has consistently maintained a very liquid position, banking facilities have nevertheless been put in place for contingency purposes. As at 30 June 2009, the Group had trade financing facilities amounting to HK\$28.3 million (£2.4 million) secured by freehold land and buildings in Malaysia, a term loan facility amounting to HK\$55.3 million (£4.8 million) secured by the pledging of a Malaysian property, and a revolving credit line for working capital purposes amounting to HK\$171.4 million (£14.8 million) which was secured by cash deposits.

Save as disclosed above, there were no other charges on assets during the period ended 30 June 2009.

The interest rates for the trade financing line range from 4.3% to 5.6% and this facility is denominated in Malaysian Ringgit. It is in the form of bankers' acceptance and trust receipts facilities for trading purposes. The term loan facility carries interest at a rate of 3.9% and is also denominated in Ringgit. The revolving credit line has an interest rate of 1.9% plus HIBOR and is denominated in Sterling Pounds. It is rolled-over monthly for working capital financing.

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

	Period Ended 30 June			
	2009 (unaudited)		2008 (unaudited)	
	HK\$'000	£ '000	HK\$'000	£ '000
Total bank borrowings, secured, repayable within one year	204,185	17,617	185,202	12,034
Total bank borrowings, secured, repayable more than one year	50,830	4,386	-	-

The Group currently has no other material external debt financing in place. If and when the Group decides to raise financing in the future, it expects to be able to utilise a variety of options, including debt financing and access to the capital markets, which it will access as necessary.

The Group had cash and cash equivalents of HK\$338.7 million (£29.2 million) as of 30 June 2009 compared to HK\$538.0 million (£34.9 million) as of 30 June 2008. The drop was due to the acquisitions made during the second half of last year. Going forward, the Directors believe that the Group's liquidity requirements for the foreseeable future can be satisfied using the Group's cash flows from its operations.

Gearing Ratio

As at the 30 June 2009, the Group's gearing ratio was about 0.073x (as at the first half of 2008: 0.070x), calculated as the Group's total debt divided by its total capital. Debt of HK\$255.9 million (£22.0 million) is calculated as total borrowings (including short term bank loans and current position of long term financing obligations of HK\$204.8 million (£17.7 million) and long term bank loans and long term financing obligations of HK\$51.1 million (£4.4 million)). Total capital is calculated as total shareholder equity of HK\$3,236.8 million (£279.3 million) plus debt as at 30 June 2009.

As at the 30 June 2009, the Group had a net cash position of HK\$82.8 million (£7.1 million) (30 June 2008: HK\$351.2 million or £22.8 million), calculated as cash at bank less short term bank loans and long term financing obligations.

Contingent Liabilities

As at 30 June 2009, the Group had no contingent liabilities. The Company had acted as a guarantor of three of its subsidiaries to secure interest-bearing borrowings, amounting to approximately HK\$255.0 million (£22.0 million) as at 30 June 2009.

The carrying amount of the financial guarantee provision recognised in the Company's balance sheet was approximately HK\$782,021 (£67,474) as at 30 June 2009 (1H 2008: HK\$24,153 (£1,569)). The financial guarantee provision was eliminated on consolidation.

Foreign Exchange Risk Management

Some of the Group's bank balances are denominated in Sterling Pounds, Malaysian Ringgit, United States Dollars, Renminbi, Thai Baht and UAE Dirham, 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.

Treasury Management

The Group aims to achieve a better risk control and efficient fund management by centralise its treasury activities. The objective of the Group's treasury policy is to minimise risks and exposures from the fluctuations of currency exchange rates and interest rates.

Interim Dividend

The Board does not propose to distribute an interim dividend for the period ended 30 June 2009.

Human Resources

The Group places heavy emphasis on staff training and development to unlock employees' maximum potential. Remuneration packages are linked with individuals and the Group's business performance, and taking into consideration industry practices and competitive market conditions. Share options are also granted to eligible employees based on individual's performance as well as the Group's performance.

As at 30 June 2009, in addition to the Directors, there were more than 300 employees of the Group. The employees are stationed in the Group's offices in Hong Kong, Beijing, Shenzhen, Kuala Lumpur, Bangkok and Dubai. Total staff costs for the first six months of 2009 were HK\$81.5 million (£7.0 million), compared with HK\$79.9 million (£5.2 million) in the same period last year.

Management Outlook

The Group maintains its optimistic view on developing its solutions projects segments in the PRC. The contract wins during the past year have established a strong foundation for continuing business development and growth in the region in lucrative verticals such as banking, telecommunications and government-related organisations.

The Group will continue to seek opportunities to leverage competitive advantages from its acquired businesses to strengthen its position as a leading provider of biometric and RFID products and solutions in the areas of ticket anti-counterfeiting, healthcare and online entertainment, finance and infrastructure.

The Group will continue to expand its business in its core markets of Southeast Asia, PRC and the Middle East and improve its product and solution offerings to enable faster routes to commercialisation and minimise technical support required from the Group. With the backup support from our newly built RCG Tower in Malaysia, the Group will seek alliances, partners and distributors in Indonesia to reach national-scale and larger projects. The Group will market its Enterprise and Consumer segments products and deploy solutions which the Group has successfully built its portfolio in lucrative vertical industries such as healthcare, finance, infrastructure, port management, hotels and entertainment.

The Board of Directors (the “Board”) of RCG Holdings Limited (the “Company”) announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, “RCG” or the “Group”) for the six months ended 30 June 2009 (the “Period”). The condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed statement of changes in equity and condensed consolidated cash flow statement of the Group for the Period, and condensed consolidated balance sheet of the Group as at 30 June 2009, along with selected explanatory notes, are set out as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009	Notes	2009	2008
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover	3	1,293,728	984,414
Cost of sales		(631,000)	(489,904)
Gross profit		662,728	494,510
Other operating income		1,000	12,874
Selling and distribution costs		(58,072)	(34,214)
Administrative expenses		(223,080)	(149,567)
Profit from operations		382,576	323,603
Finance costs		(2,041)	(1,091)
Profit before taxation	4	380,535	322,512
Taxation	5	(4,248)	(923)
Profit for the period		376,287	321,589
Attributable to:			
Equity holders of the Company		373,946	326,812
Minority interests		2,341	(5,223)
		376,287	321,589
Earnings per share attributable to equity holders of the Company			
- Basic	6	155.3 cents	140.9 cents
- Diluted	6	154.7 cents	140.3 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009	2009	2008
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Profit for the period	376,287	321,589
Other comprehensive income for the period (after tax and reclassification adjustments):		
Exchange differences on translation of investments in foreign subsidiaries	<u>37,120</u>	5,114
	37,120	5,114
Total comprehensive income for the period	413,407	326,703
Attributable to:		
Equity holders of the Company	411,066	331,926
Minority interests	<u>2,341</u>	(5,223)
	413,407	326,703

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2009	Notes	As at 30 June 2009	As at 31 December 2008
		HK\$'000 (Unaudited)	HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	8	229,289	187,736
Prepaid lease payments		17,458	17,791
Goodwill		171,245	173,570
Intangible assets	9	1,247,498	1,275,689
Available-for-sale financial assets	10	135,000	-
		1,800,490	1,654,786
Current assets			
Prepaid lease payments		182	183
Inventories		360,193	294,034
Trade receivables	11	864,556	500,281
Deposits, prepayments and other receivables		488,276	407,277
Cash at bank and in hand		338,675	320,319
		2,051,882	1,522,094
Total assets		3,852,372	3,176,880
EQUITY			
Equity holders of the Company			
Share capital	12	2,536	2,323
Reserves		3,234,312	2,679,008
		3,236,848	2,681,331
Minority interests		202,111	199,770
Total equity		3,438,959	2,881,101

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2009	Notes	As at 30 June 2009	As at 31 December 2008
		HK\$'000 (Unaudited)	HK\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Interest-bearing borrowings	13	50,830	-
Obligations under finance leases		329	649
Deferred tax liabilities		4,831	4,897
		55,990	5,546
Current liabilities			
Trade payables	14	66,002	73,493
Accruals and other payables		82,966	24,468
Tax payables		3,654	637
Interest-bearing borrowings	13	204,185	191,034
Obligations under finance leases		616	601
		357,423	290,233
Total liabilities		413,413	295,779
Total equity and liabilities		3,852,372	3,176,880
Net current assets		1,694,459	1,231,861
Total assets less current liabilities		3,494,949	2,886,647

CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

For the six months ended 30 June 2009

	Attributable to equity holders of the Company												
	Share capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Treasury shares HK\$'000 (Unaudited)	Employee share-based compensation reserve HK\$'000 (Unaudited)	Capital reserve HK\$'000 (Unaudited)	Translation reserve HK\$'000 (Unaudited)	Revaluation reserve HK\$'000 (Unaudited)	Legal reserve HK\$'000 (Unaudited)	Retained earnings HK\$'000 (Unaudited)	Proposed final dividends HK\$'000 (Unaudited)	Sub-total HK\$'000 (Unaudited)	Minority interests HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
As at 1 January 2008	2,323	1,228,048	(847)	32,894	(872)	13,579	-	48	769,290	18,079	2,062,542	31,618	2,094,160
Total comprehensive income for the period	-	-	-	-	-	5,114	-	-	326,812	-	331,926	(5,223)	326,703
Listing costs	-	(9,148)	-	-	-	-	-	-	-	-	(9,148)	-	(9,148)
Cost of share-based payment	-	-	-	6,535	-	-	-	-	-	-	6,535	-	6,535
Lapse of share options	-	-	-	(1,920)	-	-	-	-	1,920	-	-	-	-
Acquisition of a subsidiary	-	-	-	-	-	-	83,577	-	-	-	83,577	409,200	492,777
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(10)	(10)
Acquisition of treasury shares	-	-	(5,649)	-	-	-	-	-	-	-	(5,649)	-	(5,649)
As at 30 June 2008	2,323	1,218,900	(6,496)	37,509	(872)	18,693	83,577	48	1,098,022	18,079	2,469,783	435,585	2,905,368
As at 1 January 2009	2,323	1,228,048	(6,496)	36,861	(872)	(55,156)	83,577	48	1,354,598	38,400	2,681,331	199,770	2,881,101
Total comprehensive income for the period	-	-	-	-	-	37,120	-	-	373,946	-	411,066	2,341	413,407
Exercise of share options	12	13,671	-	(4,232)	-	-	-	-	-	-	9,451	-	9,451
Lapse of share options	-	-	-	(903)	-	-	-	-	903	-	-	-	-
Issue of shares	150	134,850	-	-	-	-	-	-	-	-	135,000	-	135,000
Script dividends	57	38,341	-	-	-	-	-	-	-	-	-	-	-
Cancellation of treasury shares	(6)	(6,490)	6,496	-	-	-	-	-	2	(38,400)	-	-	-
As at 30 June 2009	2,536	1,408,420	-	31,726	(872)	(18,036)	83,577	48	1,729,449	-	3,236,848	202,111	3,438,959

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2009	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Profit before taxation	380,535	322,512
Adjustments for:		
Amortisation of intangible assets	71,446	27,917
Amortisation of prepaid lease payments	91	97
Loss on disposal of property, plant and equipment	267	253
Gain on disposals of subsidiaries	-	(28)
Provision for obsolete stock	136	631
Impairment of trade receivables	21	1,309
Depreciation	14,008	13,520
Share-based payment expenses	-	6,535
Bank interest income	(869)	(12,667)
Write-off of property, plant and equipment	29	79
Interest on interest-bearing borrowings	1,817	858
	<hr/>	<hr/>
Operating cash flows before movements in working capital	467,481	361,016
Increase in inventories	(66,295)	(67,732)
Increase in trade receivables	(364,296)	(48,504)
Increase in deposits, prepayments and other receivables	(80,999)	(75,449)
(Decrease)/increase in trade payables	(7,491)	50,822
Increase/(decrease) in accruals and other payables	58,498	(2,497)
	<hr/>	<hr/>
Cash generated from operations	6,898	217,656
Bank interest income received	869	12,667
Income tax paid	(1,246)	(2,518)
	<hr/>	<hr/>
Net cash generated from operating activities	6,521	227,805
	<hr/>	<hr/>
Cash flows from investing activities		
Purchases of property, plant and equipment	(58,135)	(25,808)
Investments in intangible assets	(44,225)	(39,410)
Acquisition of treasury shares	-	(5,649)
Net cash paid for acquisition of a subsidiary	-	(410,223)
Net cash received from disposals of subsidiaries	-	18
Proceeds from disposal of property, plant and equipment	263	-
	<hr/>	<hr/>
Net cash used in investing activities	(102,097)	(481,072)
	<hr/>	<hr/>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the six months ended 30 June 2009	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cash flows from financing activities		
Interest expenses paid	(1,817)	(858)
Proceeds from exercise of options	9,451	-
Listing costs	-	(9,148)
Repayment on obligations under finance leases	(305)	(183)
Interest-bearing borrowings received, net	<u>63,981</u>	<u>152,890</u>
Net cash generated from financing activities	71,310	142,701
Net decrease in cash and cash equivalents for the period	(24,266)	(110,566)
Cash and cash equivalents at the beginning of the period	320,319	651,290
Effect of foreign exchange rate changes	<u>42,622</u>	<u>(2,765)</u>
Cash and cash equivalents at 30 June	338,675	537,959

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2009

1. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2008.

The financial statements have been prepared under the historical cost convention, except for certain financial assets and financial liabilities, which are carried at fair values.

2. APPLICATION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS

Except as described below, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2008.

The Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new IFRSs”) issued by the International Accounting Standards Board which are or have become effective during the period.

IAS 1 (Revised)	Presentation of Financial Statements
IAS 23 (Revised)	Borrowing Costs
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
IFRSs (Amendments)	Improvements IFRSs
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2 (Amendment)	Vesting Conditions and Cancellations
IFRS 8	Operating Segments
IFRS 7 (Amendments)	Financial Instruments: Disclosures: Improving disclosures about financial instruments
IFRIC 13	Customer Loyalty Programmes
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation

IAS 1 (Revised) *Presentation of Financial Statements* prohibits the presentation of items of income and expenses (that is ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All ‘non-owner changes in equity’ are required to be shown in a performance statement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2009

2. APPLICATION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

IAS 27 (Amendments) *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009 all dividends receivables from subsidiaries, associates and joint controlled entities, whether out of pre- or post-acquisition profits will be recognised in the company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivables in the current or future periods and previous periods have not been restated.

IFRSs (Amendments) *Improvements IFRSs* comprise a number of minor and non-urgent amendments to a range of IFRSs. These amendments do not have a material impact on the Group's financial statements.

IFRS 2 (Amendment) *Vesting Conditions and Cancellations* clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amended standard does not have a material impact on the Group's financial statements.

IFRS 8 *Operating Segments* replaces IAS 14 *Segment reporting*. It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. The interim financial information has been prepared under the new requirement.

IFRS 7 (Amendments) *Financial Instruments: Disclosures: Improving disclosures about financial instruments* increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 31 December 2009.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2009

2. APPLICATION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

IAS 23 (Revised) *Borrowing Costs* has no material impact on the Group's financial statement as the amendments and interpretations were consistent with policies already adopted by the Group. IAS 32 & 1 (Amendments) *Puttable Financial Instruments and Obligations Arising on Liquidation*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate* and IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* are effective in this accounting period but are not relevant to the Group's operation.

3. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In presenting information on the basis of the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

The Group's operating businesses are structured and managed separately according to the nature of products and services. Each of the Group's business segments represents a strategic business unit that offers different products which are subject to risks and return that are different from those of the other business segments. The Group comprises of the following main business segments:

- the Consumer segment sells consumer products such as Biomirage Storage Box, FxSecure Key and FxGuard Window Logon;
- the Enterprise segment sells enterprise products such as i-series, s-series, m-series access control devices; and
- the Solutions Projects segment provides and delivers comprehensive biometric application and RFID solutions such as event-ticketing and theme park solutions to strategic partners.

(a) Segment results, assets and liabilities

In accordance with IFRS 8, segment information disclosed in the interim financial statement has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regards, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of investments in financial assets, deferred tax assets and other corporate assets. Segment liabilities include trade creditors, accruals and other payables attributable to the manufacturing and sales activities of the individual segments and interest-bearing borrowings managed directly by the segments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2009

3. SEGMENT INFORMATION (CONTINUED)

(a) Segment results, assets and liabilities (continued)

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Information regarding the Group's segments as provided to the Group's most senior executive management for the purpose of resource allocation and assessment of segment performance for the period is set out below.

	<u>Consumer</u>		<u>Enterprise</u>		<u>Solutions Projects</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Turnover								
- external sales	536,528	437,296	489,953	386,636	267,247	160,482	1,293,728	984,414
Segment results	274,713	185,418	239,525	195,209	148,490	113,883	662,728	494,510
Unallocated other operating income							1,000	12,874
Unallocated expenses							(281,152)	(183,781)
Finance costs							(2,041)	(1,091)
Profit before taxation							380,535	322,512
Taxation							(4,248)	(923)
Profit for the period							376,287	321,589
Segment assets	877,552	771,101	817,976	583,132	1,581,229	1,309,691	3,276,757	2,663,924
Unallocated assets	-	-	-	-	-	-	575,615	512,956
Total assets	877,552	771,101	817,976	583,132	1,581,229	1,309,691	3,852,372	3,176,880
Segment liabilities	33,552	27,216	21,293	39,972	11,157	6,304	66,002	73,492
Unallocated liabilities	-	-	-	-	-	-	347,411	222,287
Total liabilities	33,552	27,216	21,293	39,972	11,157	6,304	413,413	295,779

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2009

3. SEGMENT INFORMATION (CONTINUED)

(b) Geographic information

The Group mainly operates in Southeast Asia. The following provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods and services:

	Turnover	
	For the six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Southeast Asia	577,128	587,984
Greater China	464,415	183,394
Middle East	247,260	199,893
Others	4,925	13,143
	1,293,728	984,414

4. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Finance costs		
Bank charges	224	233
Interests on interest-bearing borrowings and bank overdrafts wholly repayable within five years	1,817	858
	2,041	1,091
Other items		
Depreciation	14,008	13,520
Amortisation of prepaid lease payments	91	97
Amortisation of intangible assets	71,446	27,917
Impairment of trade receivables	21	1,309

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2009

5. TAXATION

	For the six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
Current tax:		
- Malaysia	4,140	816
Underprovision of tax in the previous year	123	23
Provision for deferred tax liabilities	(15)	84
	<u>4,248</u>	<u>923</u>

Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the year.

Malaysian Income Tax is calculated at the statutory tax rate of 25% (2008: 26%) of the estimated assessable profit for the year. The corporate tax rate for companies with paid-up capital of Malaysian Ringgit 2.5 million and below at the beginning of the basis period for the years of assessment are as follows: The first Malaysian Ringgit 500,000 chargeable income is charged at the rate of 20% for the year and the amount of chargeable income exceeding Malaysian Ringgit 500,000 is charged at the rate of 25% (2008: 26%) for the year. Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Deferred tax charges represent tax effects of the excess of tax capital allowances over related depreciation of property, plant and equipment of the Malaysian subsidiaries.

6. EARNINGS PER SHARE

(a) *Basic earnings per share*

The calculation of basic earnings per share for the period is based on the Group's profit attributable to equity holders of the Company of HK\$373,946,000 (2008: HK\$326,812,000) and the weighted average number of ordinary shares in issue during the period of 240,807,232 (2008: 231,891,991).

(b) *Diluted earnings per share*

Diluted earnings per share presented as share options were exercised after their respective vesting period. The calculation of diluted earnings per share for the period is based on the Group's profit attributable to equity holders of the Company of HK\$373,946,000 (2008: HK\$326,812,000) and the weighted average number of ordinary shares for the purpose of diluted earnings per share during the period of 241,746,741 (2008: 232,925,770).

7. INTERIM DIVIDENDS

The Board does not recommend the payment of any interim dividend for the period ended 30 June 2009 (2008: Nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2009

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2009, the Group acquired items of property, plant and equipment with a cost of HK\$58,136,000 (2008: HK\$25,808,000). Items of plant and equipment with a net book value of HK\$530,000 were disposed of during the six months ended 30 June 2009 (2008: HK\$253,000), resulting in a loss on disposal of HK\$267,000 (2008: HK\$253,000).

9. INTANGIBLE ASSETS

During the six months ended 30 June 2009, the Group invested in product development and design with a cost of HK\$44,225,000 (2008: HK\$39,410,000).

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30 June 2009 HK\$'000	As at 31 December 2008 HK\$'000
Unlisted shares	135,000	-

On 16 April 2009, the Group acquired 15% of equity interest of A-1 Development Inc. for an aggregate consideration of HK\$135,000,000, which was satisfied by the allotment and issue of 15,000,000 ordinary shares of the Company.

Unlisted equity securities were carried at cost less impairment as they do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

11. TRADE RECEIVABLES

The aging analysis of the trade receivables is as follows:

	As at 30 June 2009 HK\$'000	As at 31 December 2008 HK\$'000
0–30 days	222,060	149,074
31–60 days	358,521	156,454
61–90 days	159,860	131,061
Over 90 days	124,115	63,692
	864,556	500,281

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2009

11. TRADE RECEIVABLES (CONTINUED)

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

The trade receivables are generally on 30–90 days credit terms. The Directors of the Company consider that the carrying amounts of trade receivables approximate to their fair values.

12. SHARE CAPITAL

	As at 30 June 2009	As at 31 December 2008	As at 30 June 2009 HK\$'000	As at 31 December 2008 HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	9,000,000,000	9,000,000,000	90,000	90,000
Issued and fully paid:				
As at beginning of the period/year	232,267,677	232,267,677	2,323	2,323
Issue of shares	15,000,000	-	150	-
Exercise of share options	1,265,000	-	12	-
Scrip dividends	5,688,555	-	57	-
Cancellation of treasury shares	(657,677)	-	(6)	-
As at end of the period/year	253,563,555	232,267,677	2,536	2,323

The following movements in the Company's authorized and issued share capital took place during the period from 1 January 2009 to 30 June 2009:

- By a resolution dated 2 February 2009, the Company resolved to cancel a total of 657,677 treasury shares.
- By a resolution dated 12 February 2009, the Company resolved to issue a total of 1,000,000 shares of HK\$0.01 each to certain option holders following the exercise of 600,000 options from option holders at the exercise price of 34.5 pence each and the exercise of 400,000 options from option holders at the exercise price of 136 pence each for a total cash consideration, before related expenses, of £751,000.
- By a resolution dated 23 February 2009, the Company resolved to issue a total of 115,000 shares of HK\$0.01 each to certain option holders following the exercise of 115,000 options from option holders at the exercise price of 34.5 pence each for a total cash consideration, before related expenses, of £39,675.
- By a resolution dated 6 April 2009, the Company resolved to issue a total of 150,000 shares of HK\$0.01 each to certain option holders following the exercise of 150,000 options from option holders at the exercise price of 34.5 pence each for a total cash consideration, before related expenses, of £51,750.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2009

12. SHARE CAPITAL (CONTINUED)

- (e) On 16 April 2009, the Group acquired 15% of equity interest of A-1 Development Inc. (“A-1”) for an aggregate consideration of HK\$135,000,000, which was satisfied by the allotment and issue of 15,000,000 ordinary shares of the Company.
- (f) By a resolution dated 21 April 2009, the Company issued and allotted 5,688,555 ordinary shares at HK\$6.75 per share in respect of the final scrip dividends for the year ended 2008.

13. INTEREST-BEARING BORROWINGS

	As at 30 June 2009 HK\$’000	As at 31 December 2008 HK\$’000
Bank borrowings, secured	255,015	191,034

The bank borrowings bear interest at rates ranging from 1.90% to 5.63% (31 December 2008: 2.05% to 8.50%) per annum for the six months ended 30 June 2009.

The Malaysian Ringgit bank borrowings of approximately HK\$83,527,000 (31 December 2008: HK\$31,360,000) are secured by freehold land, buildings and construction-in-progress in Malaysia with carrying values of approximately HK\$175,857,000 (31 December 2008: HK\$11,821,000) and bank deposits of approximately HK\$5,195,000 (31 December 2008: Nil) as at 30 June 2009.

The Hong Kong Dollars bank borrowings of approximately HK\$171,488,000 (31 December 2008: HK\$159,674,000) are secured by bank deposits of approximately HK\$183,190,000 (31 December 2008: HK\$201,392,000) as at 30 June 2009.

14. TRADE PAYABLES

The aging analysis of the trade payables is as follows:

	As at 30 June 2009 HK\$’000	As at 31 December 2008 HK\$’000
0–30 days	34,452	52,267
31–60 days	13,364	12,434
61–90 days	13,441	3,018
Over 90 days	4,745	5,774
	66,002	73,493

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2009

14. TRADE PAYABLES (CONTINUED)

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. The Directors of the Company consider that the carrying amounts of trade payables approximate to their fair values.

15. OPERATING LEASE COMMITMENTS

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

	Land and buildings	
	As at	As at
	30 June	31 December
	2009	2008
	HK\$'000	HK\$'000
Within one year	10,759	12,569
In the second to fifth years inclusive	87	6,559
	10,846	19,128

16. CAPITAL COMMITMENTS

	As at	As at
	30 June	31 December
	2009	2008
	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
- construction fees for leasehold buildings	-	71,729,000
- product development contract fee	22,600,000	28,245,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2009

17. SHARE-BASED PAYMENTS

Share options are granted to the directors and employees of the Group to subscribe for shares in the Company.

	<u>2009</u>		<u>2008</u>	
	Average exercise price per share (in pence)	Outstanding options	Average exercise price per share (in pence)	Outstanding options
As at 1 January	84.22	11,170,000	86.66	11,722,500
Exercised	66.59	(1,265,000)	-	-
Lapsed / forfeited	75.30	(320,000)	136.00	(417,500)
As at 30 June	86.84	9,585,000	84.84	11,305,000
Granted			-	-
Exercised			-	-
Lapsed / forfeited			136.00	(135,000)
As at 31 December			84.22	11,170,000

The options have contractual option terms ranging from 5 to 10 years. There are 9,585,000 outstanding options (31 December 2008: 11,170,000 options) which all options are exercisable as at 30 June 2009 (31 December 2008: 11,170,000 options). Weighted average remaining contractual life of options outstanding as at 30 June 2009 is 7.16 years (31 December 2008: 7.58 years) and the range of exercise prices are from 34.5p to 136p (31 December 2008: 34.5p to 136p).

18. MATERIAL RELATED PARTY TRANSACTIONS

There is no material related party transaction during the period.

19. CONTINGENT LIABILITIES

As at 30 June 2009, the Group had no contingent liabilities.

20. SUBSEQUENT EVENTS

The Group had no significant subsequent events after the balance sheet date.

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

In compliance with the requirements of the Hong Kong Listing Rules, all the treasury shares of the Company totaling of 657,677 ordinary shares were cancelled on 2 February 2009.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period ended 30 June 2009.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2009, the interests and short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO; or as otherwise notified to the Company and the HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

<u>Name of Director</u>	<u>Capacity/ Nature of interest</u>	<u>Number of shares</u>	<u>Number of underlying shares</u>	<u>Number of shares and underlying shares</u>	<u>Approximate percentage of issued share capital</u>
Raymond Chu Wai Man	Beneficial owner	302,211	3,200,000	3,502,211	1.4%
	Through a controlled corporation (Note 1)	18,440,000	-	18,440,000	7.3%
Chau Pak Kun	Beneficial Owner	35,855	1,750,000	1,785,855	0.7%
Dato' Lee Boon Han	Beneficial Owner	25,611	625,000	650,611	0.3%
Ying Kan Man	Beneficial owner	25,611	1,100,000	1,125,611	0.4%
General Dato' Seri Mohd Azumi bin Mohammed	Beneficial owner	-	200,000	200,000	0.1%

Note:

1. These Shares are held by Full Future Group Limited which is wholly and beneficially owned by Raymond Chu Wai Man. By virtue of the SFO, Raymond Chu Wai Man is deemed to be interested in the Shares held by Full Future Group Limited.

Save as disclosed above, none of the Directors or chief executives had registered an interest or short positions in the shares or underlying shares of the Company or any of its associated corporations as at 30 June 2009 that was required to be recorded pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the HKSE pursuant to the Model Code.

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

As at 30 June 2009, 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 were as follows:

<u>Name of Shareholder</u>	<u>Capacity/ Nature of interest</u>	<u>Number of shares</u>	<u>Number of underlying shares</u>	<u>Number of shares and underlying shares</u>	<u>Approximate percentage of issued share capital</u>
Veron International Limited (Note 1)	Beneficial owner	65,662,832	-	65,662,832	25.9%
Kung Nina (Estate of Nina Kung also known as Nina T.H. Wang) (Note 1)	Interest of controlled Corporation	65,662,832	-	65,662,832	25.9%
The Offshore Group Holding Limited (Note 2)	Beneficial owner	63,515,555	-	63,515,555	25.0%
Chan Chun Chuen (Note 2)	Interest of controlled Corporation	63,515,555	-	63,515,555	25.0%
Tam Miu Ching (Note 2)	Spousal interest	63,515,555	-	63,515,555	25.0%
Full Future Group Limited (Note 3)	Beneficial owner	18,440,000	-	18,440,000	7.3%
Yun Po Kow Rowena (Note 3)	Spousal interest	21,942,211	-	21,942,211	8.7%

Note:

1. The entire issued share capital of Veron International Limited is beneficially owned by Kung Nina. Therefore, Kung Nina is deemed to be interested in the 64,096,040 shares held by Veron International Limited under the SFO.
2. The entire issued share capital of The Offshore Group Holdings Limited is beneficially owned by an individual, Chan Chun Chuen. Tam Miu Ching is the wife of Chan Chun Chuen. Therefore, Chan Chun Chuen and Tam Miu Ching are deemed to be interested in the 63,515,555 shares held by The Offshore Group Holdings Limited under the SFO.
3. The entire issued share capital of Full Future Group Limited is held by a Director, Raymond Chu Wai Man. Raymond Chu Wai Man is also a director of Full Future Group Limited. Yun Po Kow Rowena is the wife of Raymond Chu Wai Man and is therefore deemed to be interested in the 21,942,211 shares held by Raymond Chu Wai Man under the SFO.

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

SHARE OPTION SCHEME AND POST LISTING SHARE OPTION SCHEME

A share option scheme (the “Share Option Scheme”) was adopted by the Company on 28 June 2004 and was amended on 7 June 2006. A post listing share option scheme (the “Post Listing Scheme”) was adopted by the Company on 16 October 2008. Summary of principal terms of the Share Option Scheme and Post Listing Scheme were outlined in the Company’s annual report for the year ended 31 December 2008 under the section “Directors’ Report”.

Movements of the share options granted under the Share Option Scheme during the period ended 30 June 2009 are as follows:

	<u>Outstanding at beginning of the year</u>	<u>Granted during the year</u>	<u>Exercised during the year</u>	<u>Lapsed during the year</u>	<u>Expired during the year</u>	<u>Cancelled during the year</u>	<u>Outstanding at end of the year</u>	<u>Date of grant</u>	<u>Exercisable period</u>	<u>Exercise price</u>
Directors										
Raymond Chu Wai Man	1,300,000	-	-	-	-	-	1,300,000	20 April 2005	From 20 April 2008 to 19 April 2015	34.5p
	1,500,000	-	-	-	-	-	1,500,000	4 October 2006	From 4 October 2007 to 3 October 2016	64.25p
	400,000	-	-	-	-	-	400,000	29 March 2007	From 29 March 2008 to 28 March 2017	136p
Chau Pak Kun	450,000	-	-	-	-	-	450,000	20 April 2005	From 20 April 2008 to 19 April 2015	34.5p
	1,000,000	-	-	-	-	-	1,000,000	4 October 2006	From 4 October 2007 to 3 October 2016	64.25p
	300,000	-	-	-	-	-	300,000	29 March 2007	From 29 March 2008 to 28 March 2017	136p
Dato’ Lee Boon Han	400,000	-	-	-	-	-	400,000	4 October 2006	From 4 October 2007 to 3 October 2016	64.25p
	225,000	-	-	-	-	-	225,000	29 March 2007	From 29 March 2008 to 28 March 2017	136p
Ying Kan Man	100,000	-	-	-	-	-	100,000	20 April 2005	From 20 April 2008 to 19 April 2015	34.5p
	800,000	-	-	-	-	-	800,000	4 October 2006	From 4 October 2007 to 3 October 2016	64.25p
	200,000	-	-	-	-	-	200,000	29 March 2007	From 29 March 2008 to 28 March 2017	136p
General Dato’ Seri Mohd Azumi bin Mohammed	200,000	-	-	-	-	-	200,000	4 October 2006	From 4 October 2007 to 3 October 2016	64.25p
	6,875,000	-	-	-	-	-	6,875,000			
Other employees										
In aggregate	950,000	-	(865,000) (Note1)	(50,000)	-	-	35,000	20 April 2005	From 20 April 2008 to 19 April 2015	34.5p
	200,000	-	-	(200,000)	-	-	-	4 October 2006	From 4 October 2007 to 3 October 2016	64.25p
	3,145,000	-	(400,000) (Note2)	(70,000)	-	-	2,675,000	29 March 2007	From 29 March 2008 to 28 March 2017	136p
	11,170,000	-	(1,265,000)	(320,000)	-	-	9,585,000			

Note:

1. The weighted average closing price before the date of exercise for share options exercised was HK\$19.28.
2. The weighted average closing price before the date of exercise for share options exercised was HK\$16.00.

Other than as disclosed above, no other share option was granted, cancelled, lapsed or exercised pursuant to the Share Option Scheme and Post Listing Scheme of the Company during the period ended 30 June 2009.

CODE ON CORPORATE GOVERNANCE PRACTICE

The Directors, where practicable for an organisation of the Group's size and nature, sought to comply with the UK Combined Code. The Combined Code is the key source of corporate governance recommendations for UK listed companies. It consists of principles of good governance covering the following areas:-

1. Directors;
2. Directors' Remuneration;
3. Accountability and Audit;
4. Relations with Shareholders; and
5. Institutional Investors.

In connection with the listing of the Company on the HKSE in February 2009, the Company adopted the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Hong Kong Listing Rules as its additional code on corporate governance practices on 2 February 2009. The Company complied with applicable code provisions in the Code throughout six months ended 30 June 2009, with deviation(s) listed below:

- Code Provision A.2.1.

The roles of Chairman and Chief Executive Officer are performed by the same individual, Raymond Chu Wai Man, and are not separated. The Board of Directors meets regularly to consider issues related to corporate matters affecting operations of the Group. The Board considers the structure will not impair the balance of power and authority of the Board and the Company's management thus believes this structure will enable effective planning and implementation of corporate strategies and decisions.

Compliance with the Code on Corporate Governance Practices

The Company has adopted a code for Directors' dealings appropriate for a company whose shares are admitted to trading on AIM and takes all reasonable steps to ensure compliance by the Directors and any relevant employees. The Company also adopted the Model Code for Securities Transaction by Directors of Listed Issuers set out in Appendix 10 of the Hong Kong Listing Rules.

The Directors have confirmed, following a specific enquiry by the Company, that they fully complied with the required standard as set out in the Model Code throughout the interim period ended 30 June 2009.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee comprises of three independent non-executive directors. Sonny Li acts as Chairman of the committee with Jonathan Michael Caplan QC and General Dato' Seri Mohd Azumi act as members. The arrangement of Audit Committee is compliant with the Hong Kong Listing Rules 3.21.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the Company's unaudited financial statements for the period ended 30 June 2009.

PUBLICATION OF INTERIM REPORT

The interim report is also being published on the respective websites of the Company (www.rcg.tv) under the investor relations section and the Hong Kong Stock Exchange (www.hkex.com.hk).

**By Order of the Board of
RCG Holdings Limited**
Raymond Chu Wai Man
Chairman and CEO

Hong Kong, 10 September 2009

As at the date of this report, the Board comprises the following directors, namely, Raymond Chu Wai Man, Chau Pak Kun, Dato' Lee Boon Han and Ying Kan Man as executive directors and General Dato' Seri Mohd Azumi, Liu Kwok Bond, Jonathan Michael Caplan QC and Li Mow Ming Sonny as independent non-executive directors.

For purpose of this report, the exchange rates are defined as following for the respective financial years:

1H'2009: £1 to HK\$11.59

1H'2008: £1 to HK\$15.39