2010
Interim Report

RCG

RCG Holdings Limited

宏霸數碼集團(控股)有限公司*

(Incorporated in Bermuda with limited liability)

HKSE : 802 AIM : RCG

* For identification only

RCG Holdings Limited is a leading and publicly quoted international provider of biometric and RFID products and solutions services with a primary focus on development and sourcing these products and solutions services from, and selling them in, the Asia Pacific markets. Focusing on biometric and RFID, together with complementary cutting-edge technologies, the Group is dedicated to developing an integrated security platform through hardware and software integration. The Group's products and solutions services include biometric access control devices, biometric consumer products, RFID-enabled asset management systems, RFID anti-counterfeit solutions, intelligent surveillance systems using facial recognition technology and machine-to-machine (M2M) applications.

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 government sectors. RCG is publicly quoted and its Shares are listed or admitted to trading on the Main Board of the Hong Kong Stock Exchange since February 2009, on the PLUS since June 2007 and Alternative Investment Market (AIM) of the London Stock Exchange since July 2004.

RCG Holdings Limited implements an aggressive growth strategy with clear focus on developing innovative applications and diversifying revenue streams towards the emerging markets. Regional offices have been set up in a number of markets including Kuala Lumpur, Beijing, Hong Kong, Shenzhen, Macau, Bangkok and Dubai, with 1,800 authorised distributors present globally.

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HIGHLIGHTS

Financial Highlights

- Revenue increased by 11.5% to HK$1,442.7 million (£121.6 million) (1H 2009: HK$1,293.7 million (£111.6 million))
- Gross profit increased by 0.8% to HK$668.2 million (£56.3 million) (1H 2009: HK$662.7 million (£57.2 million))
- Gross profit margin was 46.3% (1H 2009: 51.2%)
- EBITDA increased by 4.0% to HK$486.8 million (£41.0 million) (1H 2009: HK$467.9 million (£40.4 million))
- Basic EPS decreased by 12.3% to HK$1.36 (11.5 pence) per share (1H 2009: HK$1.55 (13.4 pence) per share)
- Normalised EPS decreased by 5.9% to HK$1.74 (14.7 pence) per share (1H 2009: HK$1.85 (16.0 pence) per share)

Operational Highlights

- Continuing to focus on expansion into Indonesia, with contracts from government sectors and multi-national companies
- Acquisition of Strong Aim Limited on 3 May 2010, which is expected to contribute to the Group's earnings, and also provides cross selling opportunities
- Organic product development also continues with solutions related to the latest technologies in Internet of Things and Machine-to-Machine applications

Since period end

- On 16 July 2010, RCG announced the participation of two new European-based institutional investors through the subscription of 5,000,000 new RCG shares, to finance the Group's new projects in the Solutions, Projects and Services business segment

CHAIRMAN'S STATEMENT

I am pleased to report that the first half 2010 results showed growth in both revenue and EBITDA amid the continuing uncertainties in the global economy. RCG has made a number of key strategic developments during the period, including the acquisition of Strong Aim Limited in May 2010, enhancing the Group's revenues from the outset and providing cross-selling opportunities. Our focus on Southeast Asia and Southern China is proving successful, and we have continued winning contracts from reputable customers and governmental departments in our areas of operation. The results reflect the Group's strong business fundamentals and its ability to navigate through the volatility of the economic conditions for the past few years.

Since the global economic crisis started, the financial world has experienced much volatility and uncertainty. Whilst so far the regions in which RCG operates are less affected by the global economic challenges than others, they are not entirely immune. China, which was previously considered to have the fastest recovery, has showed signs of slowing down. With the slow down in manufacturing in China, development in other Asian countries such as Malaysia was also perceived to have been affected. Thailand's economic development was also tainted by political turmoil in April and May 2010. The Indonesian economy expanded by 5.8% in the first half of the year, and is projected to grow by 6% in the second half; this is an area of considerable focus for the Group's activities. With the economies across the globe now connected and influencing each other, it called for markets' confidence and patience to see a stable and sustained recovery taking place.

The Board has been significantly strengthened during the period with the appointment of two Independent Non-Executive Directors: Mr. Pieter Lambert Diaz Wattimena, whose experience in Indonesia is providing the essential support to guide the Group's expansion in this region, and Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman, whose experience in the Malaysian government and at the Inner Temple in London is assisting in guiding RCG's business development and corporate governance matters.

The Board would also like to express its appreciation to Mr. Jonathan Michael Caplan, who resigned due to his pursue of other career interests, and General Dato' Seri Mohd Azumi (rtd), previously our Deputy Chairman and Non-executive Director, who resigned due to health reasons. Moving forward, RCG will continue to strengthen its position in the Asia Pacific market with the guidance of the Board members and adhere to its principles of strong corporate governance, independence and transparency.

RCG will continue to explore new potential revenue streams from both organic expansion and acquisitions. We maintain a positive outlook on the development of the security industry, RFID and Internet of Things, and will continue to develop RCG's businesses along these areas, as well as planning for new revenue sources through the commercialisation and integration of new technologies which are deemed to have business synergies and complementary with RCG's businesses, including security-related, renewable and green technologies.

My gratitude goes to our shareholders, business partners and customers for their continuous support to RCG. I would also express my appreciation to my fellow Board members and all RCG staff for their hard work and contribution to the development of the Group.

Raymond Chu Wai Man
Chairman

23 August 2010

CEO'S STATEMENT

I am pleased to report that the first half year results of 2010 showed an increase in revenue and EBITDA. The Group's revenue increased by 11.5% from HK$1,293.7 million (£111.6 million) for the six months ended 30 June 2009 to HK$1,442.7 million (£121.6 million) for the six months ended 30 June 2010, as a result of the Company's successes in winning new contracts in its Solutions, Projects and Services segment. Gross margin for the six months ended 30 June 2010 was 46.3%, compared to 51.2% for the six months ended 30 June 2009, due to its competitive pricing for certain biometric products and increased sales of lower-margin consumer IT products. EBITDA for the six months ended 30 June 2010 was HK$486.8 million (£41.0 million), representing a 4.0% increase from the same period last year reflecting that administrative expenses have been lower as a result of cost management measures implemented since 2009. Accordingly, the Group's profit before taxation decreased marginally by 1.2% from HK$380.5 million (£32.8 million) for the six months ended 30 June 2009 to HK$376.0 million (£31.7 million) for the six months ended 30 June 2010.

Business development activities in the first half of 2010 have been focused on business expansion into Indonesia and securing contracts from government sectors and multi-national companies in the areas we operate, with support from our new operational headquarters, RCG Tower in Malaysia. We have increased our headcount and currently employ more than 370 personnel to support our business activities and developments around the globe.

The Group previously stated that one of its objectives was to grow its Solutions, Projects and Services business segment as a long term means to maintaining its growth path. The Group's Solutions, Projects and Services sales in the first half of the 2010 financial year have continued to rise and this has resulted in longer accounts receivable days mainly due to longer project implementation cycles and the higher level of inventory holding required to meet project deliveries. Consequently, the Group's working capital requirement has increased in the period to HK$1,328.5 million (£112.0 million) (1H 2009: HK$952.8 million (£82.2 million).

On 26 April 2010, RCG announced the acquisition of 70% of the entire issued capital of Strong Aim Limited ("Strong Aim"), a company whose principal activities are in research and development as well as sales of its proprietary RFID Phones and other RFID-related products such as RFID tags. The acquisition satisfied the Group's stringent selection criteria, notably that Strong Aim has secured contracts to provide RFID Phones and RFID tags for anti-counterfeit applications in China, and also possessed a unique technology that allows integration of its RFID reading and writing module into mobile phones. We expect that this acquisition will further enhance the Group's earnings for the ensuing financial years, as well as improving our revenue visibility. We are also pleased to report that the Group continued receiving orders in the areas of entertainment, anti-counterfeit and healthcare, as results of the successful integration of Vast Base Technology Limited, Chance Best Technology Limited and A-1 Development Inc., which the Group acquired over the past two years.

Along with its growth through acquisitions, RCG also continues to develop products and solutions related to the latest technologies in the "Internet of Things" and Machine-to-Machine applications. RCG launched its ***Kad One System***, an integrated solution tailored for the education sector, which integrates biometrics, RFID, Internet and wireless communication to create an effective communication platform among students, teachers, parents, school administrators and the education authority. We also launched ***FxGuard Windows Logon 7***, our best seller facial recognition logon software which is now fully compatible with the latest Microsoft Windows 7 operating system. RCG also continues to strengthen its intellectual property protection and successfully obtained registrations for its in-house developed solutions and software, including our ***Warehouse Material RFID Tracking System, Fingerprint and Facial Recognition Automated Demonstration Platform, Asset Management and RFID Tracking System***, and the ***Hospital RFID Mobile Medical System***. RCG will continue to bring cutting-edge technologies in biometrics, RFID, Internet of Things and Machine-to-Machine into full play to address our target industries' diverse needs.

The Group closely monitors and exercises strict credit control policy in view of the current weak economic environment around the globe which has led to some of our Consumer and Enterprise business segment customers to request longer credit terms. Nevertheless, the Group's bad debts provision remains below 1 per cent of the Group's total revenues during the first half of the current financial year (1H 2009: <1%).

We are pleased to have continued to receive industry acknowledgements and awards during the first half of 2010. Among others, RCG received the ***RFID Technology Development Application Award*** from the Automatic Identification China, the most influential online network of integrated service providers in the field of RFID, biometrics and identification technology in China, for its contribution to the development of RFID industry in the Greater China region. The Group was also awarded the ***RFID Industry Development Award*** from the China RFID Industry Alliance and the China Information Industry. The same organisation also selected the RCG RFID Data Center solution and RCG RFID Anti-counterfeit Ticketing solution as ***Successful Applications Case Collection of RFID in China*** during the year 2004–2009. The Board is also pleased to receive the ***2010 Southeast Asia Frost & Sullivan Differentiation Excellence Award*** in the Biometrics Market, recognising RCG as an innovative company whom can manage and develop highly effective solutions for security requirements across industries through in-house biometric solutions. As much as we are honoured to receive these awards, we are also committed to give back to our society through our corporate social responsibility programmes which include donations to ***Medecins San Frontieres*** and participation in the ***Run-up Two IFC Charity Race***, a charity event organised by the Community Chest of Hong Kong, to support the less privileged members of the society. In recognising our employees' loyalty and commitment to their work, RCG has granted share options to its staff who have contributed to the development of the Group and with a view to solidifying their long lasting working relationships with the Group.

Outlook

We are pleased that trading has remained in accordance with our expectations and anticipate doing so for the remaining of the year. However, entering the second half of 2010, we maintain our cautiously optimistic view on the development of our business, considering the uncertainty in the global economic environment whilst exercising strict and responsible cost and credit control. We will continue to work hard growing our business in a sustainable manner while preparing the Group to face the intensified competitions within the market place. The Group will continue its expansion plan into Southeast Asia and Southern China and focuses on promising vertical industries such as logistics, entertainment, healthcare, anti-counterfeit, education and government sectors.

In July 2010, RCG welcomed the participation of two new European-based institutional investors through their subscription of 5,000,000 new RCG ordinary shares. We are pleased to have gained global institutional support demonstrating investors' confidence in RCG's strong fundamentals and good business prospects. We are exploring commercial collaboration opportunities that may arise for RCG amongst Pari Group portfolio businesses in the near future.

I would like to use this opportunity to thank Board members who have been newly appointed in 2010; Mr. Chong Khing Chung, Mr. Pieter Lambert Diaz Wattimena and Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman, with whom we have been working closely since their appointments. Last but not least, I would also like to express my heartfelt appreciations to all our shareholders, business partners, customers and staff for their continuous support to RCG.

Dato' Lee Boon Han
Chief Executive Officer

23 August 2010

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the period under review, uncertain global economic conditions continue to linger. Despite this backdrop, RCG's efforts in penetrating into other parts of Southeast Asia and expanding its business into government sectors have helped to improve the Group's financial performance. RCG's revenue and EBITDA for the six months ended 30 June 2010 grew by 11.5% and 4.0% respectively as compared to the same period in 2009.

The Group's turnover during the first half of 2010 was HK$1,442.7 million (£121.6 million) representing an increase of 11.5% as compared to HK$1,293.7 million (£111.6 million) in the same period last year. Gross margin for the six months ended 30 June 2010 was 46.3% compared to 51.2% for the six months ended 30 June 2009, due to its competitive pricing for certain biometric products and increased sales of lower-margin consumer IT products. Notwithstanding the drop in gross margin, EBITDA for the same period was HK$486.8 million (£41.0 million) or a 4.0% increase compared with the same period in 2009 as a result of effective cost control measures. However, net profit for the first half of 2010 decreased marginally by 1.4% to HK$371.0 million (£31.3 million) compared to HK$376.3 million (£32.5 million) for the same period in 2009 due to the increase of amortisation of contract rights and research & development expenses.

Performance of business segments

The Group is an international provider of biometric and RFID products and solutions services with major focus in Asia Pacific and the Middle East. The businesses are divided into three categories: "**Consumer**", "**Enterprise**" and "**Solutions, Projects and Services**".

The Group develops the **Consumer** segment products as means to promote biometrics, RFID and other technologies into daily use, such as **FxGuard Windows Logon** facial recognition software for computer login, **m-Series** door locks that use biometric fingerprint authentication technology, **BioMirage Coffer** biometric storage box, and **iTrain** wireless education system allowing interactive and real-time in-class participation. The Group establishes relationships with its distributors to market its **Consumer** segment products and also licensing its FxGuard Windows Logon software to computer manufacturers.

The products under the **Enterprise** segment consist of biometric and RFID products for commercial use, such as **i-series** and **s-series** biometric fingerprint authentication devices, together with **EL-1000** and **XL-1000** controllers forming access control and employee attendance, **RUS-series** RFID card readers for access control, time attendance, visitor management and security applications, **r-series** RFID readers and controllers and **K-series** multi-modal security devices combining facial recognition, fingerprint authentication, password and RFID. The Group mainly sells its **Enterprise** segment products to its distributors, system integrators and security system providers.

The Group develops system solutions for enterprise users, using the Group's internally developed software and self-developed or third party products as required, forming solutions to address various business needs and providing security or efficiency improvements. This **Solutions, Projects and Services** business segment focuses on high growth industries such as banking, logistics and transportation, entertainment, healthcare, anti-counterfeit and government sector solutions.

Business Segment	Six months ended 30 June 2010 (unaudited) HK$ m	2010 (unaudited) £ m	2010 (unaudited) %	2009 (unaudited) HK$ m	2009 (unaudited) £ m	2009 (unaudited) %	HK$ y-o-y growth %
Consumer	**629.6^**	**53.1**	**43.6**	536.5	46.3	41.5	17.3
Enterprise	**437.4^**	**36.9**	**30.3**	490.0	42.3	37.9	(10.7)
Solutions, Projects and Services	**375.7**	**31.6**	**26.1**	267.2	23.0	20.6	40.6
Total revenue	**1,442.7**	**121.6**	**100.0**	1,293.7	111.6	100.0	11.5

^ After taking into account the re-categorisation of m-series and g-series sales of HK$66.8 million from Enterprise segment to Consumer segment

The key contributor to the Group's turnover as at 30 June 2010 is the Consumer segment which contributed 43.6% of the total Group's turnover. The Consumer segment revenue grew by 17.3% from HK$536.5 million (£46.3 million) in the first half of 2009 to HK$629.6 million (£53.1 million) in the same period of 2010, contributed by the increase in sales of IT products from one of its subsidiary companies, which is a licensed distributor of Acer and Toshiba notebook computers. In the first half of 2010, the Group also launched the latest version of FxGuard Windows Logon software that is compatible to Microsoft Windows 7 operating system. This product, with various versions compatible to Microsoft Windows operating systems, accounted for 16.5% of the Group's turnover during the six months ended 30 June 2010.

Sales of i-series and s-series fingerprint access control under the Enterprise segment increased as the Group expanded its distribution networks and extensive marketing campaigns of these products. The sales of the i-series and s-series in the first half of 2010 grew by 12.0% and 4.5% as compared with the same period in 2009. Overall, the Enterprise segment for the six months ended 30 June 2010 was 10.7% lower compared to the same period in 2009 due to re-categorisation of its products, the m-series and g-series, into the Consumer segment. Without taking account the re-categorisation, the Consumer segment and Enterprise segment sales in the first half of 2010 both grew by 4.9% and 2.9% respectively as compared to the first half of 2009.

The Solutions, Projects and Services segment has seen a significant sales growth of 40.6% in the first half of 2010 compared to the same period last year. The sales growth is attributable to the new solutions launched in the year 2009 and 2010, including the **RCG RFID Laundry Management System**, the **RCG RFID Guard Tour Monitoring Solution**, the **RCG RFID IT Asset and Data Management Solution**, the **RCG Candybox Point-of-Sales Solution**, the **RCG RFID Document Management System** and the **RCG RFID Vehicle Access Management System**.

Geographical performance

The Group focuses its business in Asia Pacific and the Middle East, and has established its operational headquarters in Kuala Lumpur, Malaysia. It also has presence in Beijing, Shenzhen, Hong Kong, Macau, Bangkok and Dubai. The Group works with approximately 1,800 distributors and dealers worldwide, including in the United States, Singapore, Indonesia, Vietnam, India, Australia and Nigeria. The majority of the Group's revenues are generated from Southeast Asia, Greater China and the Middle East.

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

Geographical Segment	Six months ended 30 June						HK$ y-o-y growth %
	2010 (unaudited)			2009 (unaudited)			
	HK$ m	£ m	%	HK$ m	£ m	%	
Southeast Asia	**759.1**	**64.0**	**52.7**	577.1	49.8	44.6	31.5
Greater China	**411.6**	**34.7**	**28.5**	464.4	40.1	35.9	(11.4)
Middle East	**265.9**	**22.4**	**18.4**	247.3	21.3	19.1	7.5
Other Regions	**6.1**	**0.5**	**0.4**	4.9	0.4	0.4	24.5
Total revenue	**1,442.7**	**121.6**	**100.0**	1,293.7	111.6	100.0	11.5

The Group's revenue in Southeast Asia increased by 31.5% in the first half of 2010 compared to the first half of 2009. The growth in the region is attributed to the Group's expansion into Indonesia and the increasing number of government-related contracts secured in the regions. A further breakdown showed that the Enterprise segment decreased by 19.6%◇ and both the Consumer and Solutions, Projects and Services segments revenue increased 74.5%^ and 125.6% respectively as a result of the Group's success in winning contracts in the region.

◇ a decrease of 6.2% excluding re-categorisation of m-series and g-series sales to Consumer segment

^ an increase of 54.3% excluding re-categorisation of m-series and g-series sales from Enterprise segment

Revenue from Greater China decreased by 11.4% in the first half of 2010 compared to the same period in 2009. Increase in the Enterprise segment sales is unable to offset both decreases in Consumer and Solutions, Projects and Services segments, mainly due to the slowing Chinese economy during the period, stringent project selection criterion employed as well as delays in certain projects implementation. In the first half of 2010, the Enterprise segment in Greater China increased by 8.1%, while the Consumer segment decreased by 11.3% and Solutions, Projects and Services segment decreased by 16.7% compared to the same period in 2009.

Sales in the Middle East achieved 7.5% growth in the first half of 2010 compared to the same period in 2009, attributed to increasing numbers of government-related projects in the region which contributed to the Solutions, Projects and Services segment. Solutions, Projects and Services segment revenue in this region in the first half year of 2010 increased by 187.8% compared to the same period in 2009.

Acquisitions

In May 2010, the Group acquired a 70% equity interest in Strong Aim for a total consideration of HK$189.5 million, satisfied partially by shares and partially by cash. Strong Aim's principal activities are research, development and sales of its proprietary RFID reader and writer module that can be integrated into a mobile phones, and other RFID-related products such as RFID tags. It is expected that revenues generated by Strong Aim will create and drive new organic and consolidated revenue growth with particular emphasis on the Solutions, Projects and Services segment of the Group while improving revenue visibility.

Financial review

Turnover

For the six months ended 30 June 2010, the Group reported a total revenue of HK$1,442.7 million (£121.6 million) representing an increase of 11.5% compared to HK$1,293.7 million (£111.6 million) in the same period last year. The revenue increase was attributed to increase in Solutions, Projects and Services segment which grew by 40.6% year-on-year and Consumer segment which grew by 17.3%^ year-on-year.

^ represents 4.9% growth without taking into account the re-categorisation of m-series and g-series sales from Enterprise segment

Cost of sales

Cost of sales increased 22.7% from HK$631.0 million (£54.4 million) in the six months ended 30 June 2009 to HK$774.5 million (£65.3 million) in the same period in 2010, in line with the increase in the Group's revenue, coupled with general increase in the price of electronic components and raw materials of the Group's hardware, and the increase of third party components used in the Projects, Solutions, and Services segment sales.

Gross profit and gross profit margin

Gross profit during the first half of 2010 was HK$668.2 million (£56.3 million), an increase of 0.8% compared to HK$662.7 million (£57.2 million) in the same period in 2009. The Group adjusted its pricing strategy in an effort to maintain its competitive position, coupled with the increased in sales of IT related products which carries lower margin, hence the decrease in its gross profit margin from 51.2% to 46.3%.

Other operating income

Other operating income increased 260.0% from HK$1.0 million (£0.09 million) during the first half of 2009 to HK$3.6 million (£0.3 million) in the same period in 2010, mainly due to the gain on disposal of property, plant and equipment items.

Administrative expenses

Administrative expenses decreased 14.3% from HK$223.1 million (£19.2 million) in the first half of 2009 to HK$191.3 million (£16.1 million) for the same period this year as a result of cost management measures implemented since the previous financial year.

Selling and distribution costs

Selling and distribution costs increased by 74.0% from HK$58.1 million (£5.0 million) in the first half of 2009 to HK$101.1 million (£8.5 million) in first half of this year. More marketing campaigns and exhibitions were held during the period to promote RCG's products and solutions, a measure targeted at gaining new customers and maintaining good relationships with existing ones.

Finance costs

Finance costs increased from HK$2.0 million (£0.2 million) in the first half of 2009 to HK$3.5 million (£0.3 million) in the same period this year, reflecting the draw-down of bank facilities to finance the Group's trade purchases.

Profit before taxation

Profit before taxation for the period under review was HK$376.0 million (£31.7 million), representing a decrease of 1.2% compared to HK$380.5 million (£32.8 million) during the same period in 2009. This is due to the increased selling and distribution costs and finance costs as described above. Profit before taxation for the six months ended 30 June 2010 was approximately 26.1% of total revenue compared with 29.4% for the six months ended 30 June 2009.

Income tax expense

Income tax expense increased from HK$4.2 million (£0.4 million) in the first half of 2009 to HK$4.9 million (£0.4 million) in the same period in 2010. The effective tax rate increased from 1.1% to 1.3% in line with the Group's continuing tax planning and the various tax benefits offered by different regions where the Group has establishments.

Profit for the year

Profit for the year marginally decreased by 1.4% to HK$371.0 million (£31.3 million) in the first half of 2010 compared to HK$376.3 million (£32.5 million) in the same period in 2009.

Profit attributable to the owners of the Company

Profit attributable to the owners of the Company increased by 0.6% from HK$373.9 million (£32.3 million) in the first half of 2009 to HK$376.3 million (£31.7 million) in the same period this year, and decreased from 28.9% to 26.1% as a percentage of the Group's turnover.

Profit attributable to the non-controlling interests

Profit attributable to the non-controlling interests decreased from a profit of HK$2.3 million (£0.2 million) in the first six months of 2009 to a loss of HK$5.2 million (£0.4 million) in the same period this year. This is mainly due to amortisation charges relating to contract rights of a newly acquired subsidiary company, which are shared proportionately with the minority shareholders.

Review of the Group's financial position as at 30 June 2010

Liquidity and capital resources

The Group funds its operations with revenue from its operating activities. The Group also has cash inflow from interest income, collections from its customers, 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$106.3 million (£9.0 million) during the six months to 30 June 2010 compared to HK$102.4 million (£8.8 million) in the first half of 2009. The capital expenditure was mainly used for acquisition of property, plant and equipment and investment in research and developments activities.

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

	Six months ended 30 June			
	2010		2009	
	HK$'000	**£'000**	HK$'000	£'000
	(Unaudited)	**(Unaudited)**	(Unaudited)	(Unaudited)
Purchase of property, plant and equipment	**7,219**	**608**	58,136	5,016
Investment in research and development	**99,050**	**8,352**	44,225	3,816
Total	**106,269**	**8,960**	102,361	8,832

The Group has an internal budgeting systems in place to ensure that if and when cash is committed to fund major expenditures there will be sufficient cash flow to maintain the Group's daily operations and to 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 2010, the Group had trade financing facilities amounting to HK$100.4 million (£8.5 million) secured by fixed deposits and Irrevocable Standby Document Credit, a term loan facility amounting to HK$59.8 million (£5.0 million) secured by the pledging of a Malaysian property, a revolving credit line for working capital purposes amounting to HK$202.8 million (£17.1 million) which is secured by cash deposits and a Standby Document Credit amounting to HK$23.4 million (£2.0 million) also secured by cash deposit.

Save as disclosed above, there were no other charges on the Group's assets as at 30 June 2010.

The interest rates for the trade financing line ranged from 4.40% to 4.88% and are denominated in Malaysian Ringgit. It is in the form of Standby Letter of Credit, Letter of Credit, bankers' acceptance and trust receipts facilities for trading purposes. The term loan facility carries interest at a rate of 3.88% to 4.65% and is also denominated in Malaysian Ringgit. The revolving credit line has an interest rate of 1.78% to 1.83% above HIBOR and is denominated in United States Dollars. 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:

	Six months ended 30 June			
	2010		2009	
	HK$'000	**£'000**	HK$'000	£'000
	(Unaudited)	**(Unaudited)**	(Unaudited)	(Unaudited)
Total bank borrowings, secured, repayable within one year	**242,704**	**20,464**	204,185	17,617
Total bank borrowings, secured, repayable more than one year	**51,364**	**4,331**	50,830	4,386
Total	**294,068**	**24,795**	255,015	22,003

The Group had cash and cash equivalents of HK$264.8 million (£22.3 million) as at 30 June 2010 compared to HK$338.7 million (£29.2 million) as at 30 June 2009.

Gearing ratio

As at 30 June 2010, the Group's gearing ratio was approximately 0.065x, compared to 0.073x as at 30 June 2009. The gearing ratio was calculated as the Group's total debt divided by its total capital. Debt of HK$295.2 million (£24.9 million) is calculated as total borrowings (including short-term bank loans amounting HK$242.7 million (£20.5 million), current portion of financing obligations amounting HK$0.6 million (£0.05 million), long term bank loans amounting HK$51.4 million (£4.3 million) and long term financing obligations of HK$0.5 million (£0.04 million). Total capital is calculated as total shareholder equity of HK$4,278.4 million (£360.7 million) plus debt.

Contingent liabilities

As at 30 June 2010, the Group had no contingent liability. This is similar to its position as at 30 June 2009. The Company acted as a guarantor of its subsidiaries to secure interest-bearing borrowings, amounting to approximately HK$113.2 million (£9.5 million) (1H 2009: HK$255.0 million (£22.0 million)).

The carrying amount of the financial guarantee provision recognised in the Company's balance sheet was approximately HK$1,622,836 (£136,833) as at 30 June 2010, compared to HK$782,021 (£67,474) as at 30 June 2009. The financial guarantee contract was eliminated on consolidation.

Foreign exchange risk management

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

Interim Dividend

The Board does not recommend any interim dividend for the six months ended 30 June 2010 (for the six months ended 30 June 2009: nil).

Human Resources

As at 30 June 2010, in addition to the Directors, there were around 370 employees of the Group stationed in the Group's offices in Hong Kong, Beijing, Shenzhen, Kuala Lumpur, Bangkok and Dubai. Total staff costs for the first half of 2010 were HK$35.9 million (£3.0 million), compared with HK$81.5 million (£7.0 million) in the same period in 2009. The savings were attributable to the Group moving its operational headquarters to Kuala Lumpur which carries lower business operating cost compared to Hong Kong or Greater China.

The Group offered training and development courses for its employees to enhance the staff's working capabilities. Remuneration packages are performance related, that link pay progression to assessment of both individual and the Group's business performances taking into consideration industry practices and competitive market conditions, reviewed on annual basis. Directors' remunerations are determined with reference to their duties and responsibilities within the Company, the Company's standards for emoluments and market condition. Share options are also granted to eligible employees based on individual's performance as well as the Group's performance.

Management Outlook

The Group will continue to explore new revenue sources in expanding its business. Priorities will be granted to areas of business and technological synergies which the Group considers as having high commercialisation opportunities. Entering the second half of 2010, the Group will explore other new business areas such as security-related, renewable and green technologies, in addition to continuing its existing business lines in biometrics, RFID and wireless technologies.

The Group will also continue leveraging the strengths of its acquired companies to gain tractions into areas of anti-counterfeit, healthcare and entertainment, while integrating the acquired companies' businesses into the Group's core operations. The Group sees great potentials in bringing the business propositions of these acquired companies to the Southeast Asia and the Middle East regions.

The condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement of the Group for the six months ended 30 June 2010, and condensed consolidated balance sheet of the Group as at 30 June 2010, along with selected explanatory notes, are set out as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

	Notes	**2010** **HK$'000** **(Unaudited)**	2009 HK$'000 (Unaudited)
Turnover	3	**1,442,689**	1,293,728
Cost of sales		**(774,491)**	(631,000)
Gross profit		**668,198**	662,728
Other operating income		**3,604**	1,000
Selling and distribution costs		**(101,067)**	(58,072)
Administrative expenses		**(191,255)**	(223,080)
Profit from operations		**379,480**	382,576
Finance costs		**(3,516)**	(2,041)
Profit before taxation	4	**375,964**	380,535
Income tax expense	5	**(4,930)**	(4,248)
Profit for the period		**371,034**	376,287
Attributable to:			
Owners of the Company		**376,274**	373,946
Non-controlling interests		**(5,240)**	2,341
		371,034	376,287
Earnings per share attributable to the owners of the Company			
— Basic (HK cents)	6	**135.7**	155.3
— Diluted (HK cents)	6	**135.1**	154.7

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	2010 **HK$'000** **(Unaudited)**	2009 HK$'000 (Unaudited)
Profit for the period	**371,034**	376,287
Other comprehensive income for the period (after tax and reclassification adjustments):		
Exchange differences on translation of investments in foreign subsidiaries	**36,741**	37,120
	36,741	37,120
Total comprehensive income for the period	**407,775**	413,407
Attributable to:		
Owners of the Company	**412,887**	411,066
Non-controlling interests	**(5,112)**	2,341
	407,775	413,407

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2010

	Notes	As at 30 June 2010 HK$'000 (Unaudited)	As at 31 December 2009 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	8	**207,024**	206,467
Prepaid lease payments		**18,646**	17,726
Goodwill		**173,451**	175,120
Intangible assets	9	**1,574,054**	1,301,651
Available-for-sale financial assets	10	**135,000**	135,000
		2,108,175	1,835,964
Current assets			
Prepaid lease payments		**196**	185
Inventories		**565,891**	524,119
Trade receivables	11	**1,308,039**	801,827
Deposits, prepayments and other receivables		**697,345**	754,694
Cash at bank and in hand		**264,846**	312,146
		2,836,317	2,392,971
Assets classified as held for sale		**—**	11,735
		2,836,317	2,404,706
Total assets		**4,944,492**	4,240,670
EQUITY			
Owners of the Company			
Share capital	12	**2,855**	2,736
Reserves		**4,275,584**	3,699,001
		4,278,439	3,701,737
Non-controlling interests		**255,797**	181,616
Total equity		**4,534,236**	3,883,353

	Notes	As at 30 June 2010 HK$'000 (Unaudited)	As at 31 December 2009 HK$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Interest-bearing borrowings	13	**51,364**	49,660
Obligations under finance leases		**595**	174
Deferred tax liabilities		**3,223**	1,545
		55,182	51,379
Current liabilities			
Trade payables	14	**58,497**	79,983
Accruals and other payables		**48,382**	18,080
Tax payables		**4,926**	1,831
Interest-bearing borrowings	13	**242,704**	205,568
Obligations under finance leases		**565**	476
		355,074	305,938
Total liabilities		**410,256**	357,317
Total equity and liabilities		**4,944,492**	4,240,670
Net current assets		**2,481,243**	2,098,768
Total assets less current liabilities		**4,589,418**	3,934,732

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Attributable to the owners 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$'000 (Unaudited)	Shares issuable reserve HK$'000 (Unaudited)	Legal reserve HK$'000 (Unaudited)	Retained earnings HK$'000 (Unaudited)	Proposed final dividends HK$'000 (Unaudited)	Sub-total HK$'000 (Unaudited)	Non-controlling interests HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
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	–	–	–	–	–	–	–	2	(38,400)	–	–	–
Cancellation of treasury shares	(6)	(6,490)	6,496	–	–	–	–	–	–	–	–	–	–	–
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
As at 1 January 2010	2,736	1,597,158	–	31,126	(872)	(4,187)	83,577	–	48	1,992,151	–	3,701,737	181,616	3,883,353
Total comprehensive income for the period	–	–	–	–	–	36,613	–	–	–	376,274	–	412,887	(5,112)	407,775
Share-based payment	–	–	–	3,834	–	–	–	–	–	–	–	3,834	–	3,834
Exercise of share options	9	12,481	–	(4,609)	–	–	–	–	–	–	–	7,881	–	7,881
Lapse of share options	–	–	–	(2,188)	–	–	–	–	–	2,188	–	–	–	–
Cancellation of share options	–	–	–	(3,361)	–	–	–	–	–	3,361	–	–	–	–
Acquisition of a subsidiary	110	92,840	–	–	–	–	–	59,150	–	–	–	152,100	79,282	231,382
Incorporation of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	11	11
As at 30 June 2010	**2,855**	**1,702,479**	**–**	**24,802**	**(872)**	**32,426**	**83,577**	**59,150**	**48**	**2,373,974**	**–**	**4,278,439**	**255,797**	**4,534,236**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2010

	2010 HK$'000 (Unaudited)	2009 HK$'000 (Unaudited)
Cash flows from operating activities		
Profit before taxation	**375,964**	380,535
Adjustments for:		
Amortisation of intangible assets	**90,933**	71,446
Amortisation of prepaid lease payments	**97**	91
(Gain)/Loss on disposal of property, plant and equipment	**(1,828)**	267
Impairment of goodwill	**15,978**	—
Provision for obsolete stock	**1,991**	136
Impairment of trade receivables	**177**	21
Depreciation	**16,477**	14,008
Share-based payment expenses	**3,834**	—
Bank interest income	**(247)**	(869)
Write-off of property, plant and equipment	**—**	29
Interest on interest-bearing borrowings	**3,329**	1,817
Operating cash flows before movements in working capital	**506,705**	467,481
Increase in inventories	**(43,763)**	(66,295)
Increase in trade receivables	**(506,389)**	(364,296)
Decrease/(increase) in deposits, prepayments and other receivables	**57,349**	(80,999)
Decrease in trade payables	**(19,640)**	(7,491)
Increase in accruals and other payables	**28,442**	58,498
Cash generated from operations	**22,704**	6,898
Bank interest income received	**247**	869
Income tax paid	**(240)**	(1,246)
Net cash generated from operating activities	**22,711**	6,521
Cash flows from investing activities		
Purchases of property, plant and equipment	**(7,219)**	(58,135)
Investments in intangible assets	**(99,050)**	(44,225)
Net cash paid for acquisition of a subsidiary	**(37,400)**	—
Proceeds from disposal of property, plant and equipment	**14,616**	263
Net cash used in investing activities	**(129,053)**	(102,097)

For the six months ended 30 June 2010

	2010 HK$'000 (Unaudited)	2009 HK$'000 (Unaudited)
Cash flows from financing activities		
Interest expenses paid	(3,329)	(1,817)
Proceeds from exercise of options	7,881	9,451
Proceeds from incorporation of subsidiaries	11	—
Repayment on obligations under finance leases	510	(305)
Interest-bearing borrowings received, net	38,840	63,981
Net cash generated from financing activities	43,913	71,310
Net decrease in cash and cash equivalents for the period	(62,429)	(24,266)
Cash and cash equivalents at the beginning of the period	312,146	320,319
Effect of foreign exchange rate changes	15,129	42,622
Cash and cash equivalents at 30 June	264,846	338,675

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 2009.

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 2009.

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.

IFRSs (Amendments)	Improvements to IFRSs 2009
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IAS 39 (Amendment)	Eligible Hedged Items
IFRS 3 (Revised)	Business Combinations
IFRIC 17	Distribution of Non-cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers

IFRSs (Amendments) *Improvements to IFRSs* 2009 was issued in April 2009, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each. The adoption of the amendments did not have any material impact on the Group's financial statements.

IAS 27 (Revised) *Consolidated and Separate Financial Statements* requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The revised standard does not have material impact on the Group's financial statement.

IFRS 3 (Revised) *Business Combinations* introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. These changes, include, but are not limited to (i) introducing an option to measure non-controlling interests (currently the minority interests) at fair value; (ii) recognising gains or losses from remeasuring to the fair value the interest in the acquiree held by the entity immediately before the business combination, in a step acquisition; (iii) expensing acquisition costs as incurred; (iv) recognising the fair value of contingent considerations at the acquisition date with subsequent changes generally reflected in the income statement; and (v) separately accounting for pre-existing relationships between the acquirer and acquiree. The change in accounting policy was applied prospectively and had no material impact on earnings per share. The Group has applied the acquisition method for the business combination that occurred during the period ended 30 June 2010 as disclosed in note 15.

2. Application of New International Financial Reporting Standards (continued)

IAS 39 (Amendment) *Eligible Hedged Items*, IFRIC *17 Distribution of Non-cash Assets to Owners* and IFRIC 18 *Transfers of Assets from Customers* are effective in this accounting period but are not relevant to the Group's operation.

3. Turnover and Segment Information

The chief operating decision-maker has been identified as the key management. This key management reviews the Group's internal reporting in order to assess performance and allocate resources. Key management has determined the operating segments based on these reports.

The key management considers the business from both a business and geographic perspective. From a business perspective, key management assesses the performance of consumer, enterprise, solutions, projects and services business segments.

— Consumer segment focuses principally on residential and personal security products for end-users. Products in this segment include FxGuard Windows Logon, BioMirage Coffer and iTrain software;

— Enterprise segment's products are mainly biometric products for commercial use, such as i-series and s-series biometric fingerprint authentication sensors and RFID card readers used for access control, time attendance, visitor management and security applications, and K-series multi-modal security devices that use facial recognition technology, fingerprint authentication technology, password and RFID; and

— 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.

The key management assesses the performance of the business segments based on a measure of gross profit. Segment assets include all tangible, intangible assets and current assets with the exception of assets classified as held for sale and other corporate assets. Segment liabilities include trade payables, accruals and other payables except of current and deferred tax liabilities, other corporate liabilities attributable to the individual segments and other borrowings managed directly by the segments.

3. Turnover and Segment Information (continued)

The following table presents the Group's turnover, segment results and other information for business segments:

	Consumer		Enterprise		Solutions, Projects and Services		Unallocated		Total	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Turnover — external sales	**629,556**	536,528	**437,447**	489,953	**375,686**	267,247	**–**	–	**1,442,689**	1,293,728
Segment results	**245,970**	274,713	**218,788**	239,525	**203,440**	148,490	**–**	–	**668,198**	662,728
Unallocated other operating income							**3,604**	1,000	**3,604**	1,000
Unallocated expenses							**(292,322)**	(281,152)	**(292,322)**	(281,152)
Finance costs							**(3,516)**	(2,041)	**(3,516)**	(2,041)
Profit before taxation									**375,964**	380,535
Income tax expense									**(4,930)**	(4,248)
Profit for the period									**371,034**	376,287
Segment assets	**1,243,311**	877,552	**997,637**	817,976	**1,997,315**	1,581,229	**706,229**	575,615	**4,944,492**	3,852,372
Segment liabilities	**29,887**	33,552	**17,036**	21,293	**13,420**	11,157	**349,913**	347,411	**410,256**	413,413

Geographical information

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

	Turnover For the six months ended 30 June	
	2010 HK$'000	2009 HK$'000
Southeast Asia	**759,059**	577,128
Greater China	**411,629**	464,415
Middle East	**265,861**	247,260
Others	**6,140**	4,925
	1,442,689	1,293,728

4. Profit Before Taxation

Profit before taxation is arrived at after charging:

	For the six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
Finance costs		
Bank charges	**187**	224
Interests on interest-bearing borrowings and bank overdrafts wholly repayable within five years	**3,329**	1,817
	3,516	2,041
Other items		
Depreciation	**16,477**	14,008
Amortisation of prepaid lease payments	**97**	91
Amortisation of intangible assets	**90,933**	71,446
Impairment of goodwill	**15,978**	—
Impairment of trade receivables	**177**	21

5. Income Tax Expense

	For the six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
Current tax:		
— Malaysia	**3,335**	4,140
Underprovision of tax in the previous year	**—**	123
Provision for deferred tax liabilities	**1,595**	(15)
	4,930	4,248

Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profits for the year.

Malaysian Income Tax is calculated at the statutory tax rate of 25% (2009: 25%) of the estimated assessable profit for the year. The corporate tax rate for companies with paid-up capital of Malaysian Ringgit 2.5 million and below at the beginning of the basis period for the years of assessment are as follows: The first Malaysian Ringgit 500,000 chargeable income is charged at the rate of 20% for the year and the amount of chargeable income exceeding Malaysian Ringgit 500,000 is charged at the rate of 25% (2009: 25%) 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 owners of the Company of HK$376,274,000 (2009: HK$373,946,000) and the weighted average number of ordinary shares in issue during the period of 277,385,433 (2009: 240,807,232).

(b) Diluted earnings per share

Diluted earnings per share presented as share options were exercised after their respective vesting periods. The calculation of diluted earnings per share for the period is based on the Group's profit attributable to owners of the Company of HK$376,274,000 (2009: HK$373,946,000) and the weighted average number of ordinary shares for the purpose of diluted earnings per share during the period of 278,609,681 (2009: 241,746,741).

7. Interim Dividends

The directors of the Company do not recommend the payment of an interim dividend in respect of the period ended 30 June 2010 (30 June 2009: Nil).

8. Property, Plant and Equipment

During the six months ended 30 June 2010, the Group acquired items of property, plant and equipment with a cost of approximately HK$7,219,000 (2009: approximately HK$58,136,000). Items of plant and equipment with a net book value of approximately HK$12,788,000 were disposed of during the six months ended 30 June 2010 (2009: approximately HK$530,000), resulting in a gain on disposal of approximately HK$1,828,000 (2009: a loss of approximately HK$267,000).

9. Intangible Assets

During the six months ended 30 June 2010, the Group invested in product development and design with a cost of approximately HK$99,050,000 (2009: approximately HK$44,225,000). Intangible assets of approximately HK$264,286,000 were recognised through acquisition of a subsidiary during the six months ended 30 June 2010 *(note 15)*.

10. Available-For-Sale Financial Assets

	As at 30 June 2010 HK$'000	As at 31 December 2009 HK$'000
Unlisted shares	**135,000**	135,000

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 2010 HK$'000	As at 31 December 2009 HK$'000
0–30 days	**146,860**	217,302
31–60 days	**140,909**	218,711
61–90 days	**130,004**	181,726
91–180 days	**589,389**	160,797
Over 180 days	**300,877**	23,291
	1,308,039	801,827

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

The trade receivables are generally on 30–180 days credit terms. 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 2010	As at 31 December 2009	As at 30 June 2010 HK$'000	As at 31 December 2009 HK$'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	**273,563,555**	232,267,677	**2,736**	2,323
Cancellation of treasury shares	**—**	(657,677)	**—**	(6)
Exercise of share options	**960,000**	1,265,000	**9**	12
Issue of shares on acquisition of subsidiaries	**11,000,000**	15,000,000	**110**	150
Scrip dividends	**—**	5,688,555	**—**	57
Placing of shares	**—**	20,000,000	**—**	200
As at end of the period/year	**285,523,555**	273,563,555	**2,855**	2,736

The following movements in the Company's authorised and issued share capital took place during the period from 1 January 2010 to 30 June 2010:

(a) On 3 May 2010, the Group acquired 70% of the entire issued share capital of Strong Aim Limited ("Strong Aim"), for an aggregate consideration of approximately HK$189,500,000, which shall be satisfied by the allotment and issue of 18,000,000 ordinary shares of the Company credited as fully paid and approximately HK$37,400,000 in cash. Pursuant to the agreement, 11,000,000 ordinary shares were issued upon completion of the acquisition while the other 7,000,000 ordinary shares to be issued subject to the accumulated audited consolidated net profit after taxation of Strong Aim achieved during the four years period between 1 January 2010 and 31 December 2013 *(note 15)*.

(b) By a resolution of the Company dated 5 May 2010, the Company resolved to issue a total 960,000 shares of HK$0.01 each to certain option holders following the exercise of 960,000 options from these option holders at the exercise price of HK$8.21 each for a total cash consideration, before related expenses, of HK$7,881,000.

13. Interest-Bearing Borrowings

	As at 30 June 2010 HK$'000	As at 31 December 2009 HK$'000
On demand or repayable:		
Within one year	**242,704**	205,568
In the second to fifth years, inclusive	**51,364**	49,660
Total bank borrowings, secured	**294,068**	255,228

The bank borrowings bear interest at rates ranging from 1.78% to 4.88% (31 December 2009: 1.78% to 5.64%) per annum for the six months ended 30 June 2010.

The Malaysian Ringgit bank borrowings of approximately HK$113,238,000 (31 December 2009: HK$85,267,000) were secured by the Group's leasehold land and buildings in Malaysia with carrying values of approximately HK$132,238,000 (31 December 2009: HK$108,318,000) and bank deposits of approximately HK$20,379,000 (31 December 2009: HK$5,457,000) as at 30 June 2010.

The Hong Kong Dollars bank borrowings of approximately HK$180,830,000 (31 December 2009: HK$169,961,000) are secured by bank deposits of approximately HK$189,179,000 (31 December 2009: HK$180,243,000) as at 30 June 2010.

14. Trade Payables

	As at 30 June 2010 HK$'000	As at 31 December 2009 HK$'000
0–30 days	**36,493**	29,483
31–60 days	**3,729**	43,159
61–90 days	**12,499**	2,928
Over 90 days	**5,776**	4,413
	58,497	79,983

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. Acquisitions of Subsidiaries

During the period ended 30 June 2010, the Group had acquired 70% of the entire issued share capital of Strong Aim Limited ("Strong Aim"), for an aggregate consideration of approximately HK$189,500,000 (the "Acquisition").

(a) The carrying amounts and fair value of the assets and liabilities acquired in the Acquisition and the goodwill arising are as follows:

	Acquiree's carrying amounts before combination HK$'000	**Fair value adjustments** HK$'000	**Fair value** HK$'000
Intangible assets	—	264,286	264,286
Amount due from shareholders	1	—	1
Other payables	(15)	—	(15)
Net assets acquired			264,272
Non-controlling interests			(79,282)
Goodwill			4,510
Total consideration			189,500
Satisfied by:			
— Issue of shares			92,950
— Contingent consideration arrangement (Note c)			59,150
— Cash			37,400
			189,500
Net cash outflow arising on acquisition:			
— Cash consideration paid			37,400

15. Acquisitions of Subsidiaries (continued)

(b) Acquisition-related costs of HK$45,000 are included in the income statements.

(c) The contingent consideration arrangement represents 7,000,000 ordinary shares of the Company with par value of HK$0.01 each to be issued to a vendor of Strong Aim by reference to the accumulated audited consolidated net profit after taxation of Strong Aim achieved in proportion to HK$250 million ("Target Profit") during the four years period between 1 January 2010 and 31 December 2013. The ordinary shares are to be issued at the end of each financial year ending 31 December after the audited consolidated net profit after taxation of Strong Aim is determined.

The fair value of the ordinary shares of the Company, determined using the published price available at the date of the completion of this acquisition, amounted to HK$59,150,000.

(d) Strong Aim contributed loss of approximately HK$430,000 to the Group during the period ended 30 June 2010.

16. 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 30 June 2010 HK$'000	As at 31 December 2009 HK$'000
Within one year	**3,218**	7,821
In the second to fifth years inclusive	**2,551**	55
	5,769	7,876

The Group had entered into product development contracts which give rise to a capital commitment of approximately HK$26,250,000 (31 December 2009: HK$27,800,000) as at 30 June 2010.

17. Share-Based Payments

A share option scheme (the "Share Option Scheme") was adopted by the Company on 28 June 2004 and was amended on 7 June 2006. A post listing share option scheme (the "Post Listing Scheme") was adopted by the Company on 16 October 2008.

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

	Post Listing Scheme				Share Option Scheme			
	2010		2009		**2010**		2009	
	Weighted average exercise price per share	**Outstanding options**	Weighted average exercise price per share	Outstanding options	**Weighted average exercise price per share**	**Outstanding options**	Weighted average exercise price per share	Outstanding options
As at 1 January	**—**	**—**	—	—	**86.20p**	**9,460,000**	84.22p	11,170,000
Granted	**HK$8.21**	**5,000,000**	—	—	**—**	**—**	—	—
Replaced	**HK$8.21**	**2,760,000**	—	—	**136.00p**	**(2,760,000)**	—	—
Exercised	**HK$8.21**	**(960,000)**	—	—	**—**	**—**	66.59p	(1,265,000)
Cancelled	**—**	**—**	—	—	**136.00p**	**(700,000)**	—	—
Lapsed/forfeited	**HK$8.21**	**(585,000)**	—	—	**49.91p**	**(415,000)**	75.30p	(320,000)
As at 30 June	**HK$8.21**	**6,215,000**	—	—	**54.21p**	**5,585,000**	86.84p	9,585,000
Lapsed/forfeited			—	—			136.00p	(125,000)
As at 31 December			—	—			86.20p	9,460,000

The options have contractual option terms ranging from 5 to 10 years. There are 11,800,000 outstanding options (31 December 2009: 9,460,000 options) which 7,310,000 options are exercisable as at 30 June 2010 (31 December 2009: 9,460,000 options). Weighted average remaining contractual life of options outstanding as at 30 June 2010 is 7.46 years (31 December 2009: 6.66 years).

18. Material Related Party Transactions

There is no material related party transaction during the period.

19. Contingent Liabilities

As at 30 June 2010, the Group had no significant contingent liabilities (2009: Nil).

20. Subsequent Events

On 16 July 2010, the Company allotted and issued an aggregate of 5,000,000 shares by way of placing to independent investors at a price of HK$5.00. The proceeds of approximately HK$25,000,000 were used for financing the Group's new projects in the Solutions, Projects and Services business segment.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2010.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2010, 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 (the "SFO")) as recorded in the register of interests required to be kept by the Company under Section 352 of the SFO; or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "HKSE") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long position in the ordinary shares of the Company

Name of Directors	Capacity/Nature of interest	Number of shares	Number of underlying shares	Number of shares and underlying shares	Approximate percentage of issued share capital
Raymond Chu Wai Man	Beneficial owner	352,211	2,800,000	3,152,211	1.10%
	Interest of controlled corporation (Note 1)	18,500,000	—	18,500,000	6.48%
Dato' Lee Boon Han	Beneficial owner	104,000	1,625,000	1,729,000	0.61%
Ying Kan Man	Beneficial owner	25,611	1,500,000	1,525,611	0.53%
Chong Khing Chung	Beneficial owner	—	472,500	472,500	0.17%
Chau Pak Kun	Beneficial owner	35,855	1,450,000	1,485,855	0.52%
Liu Kwok Bond	Beneficial owner	—	80,000	80,000	0.03%
Li Mow Ming Sonny	Beneficial owner	—	80,000	80,000	0.03%

Note:

1. These Shares are held by Full Future Group Limited which is wholly and beneficially owned by Mr. Raymond Chu Wai Man. By virtue of the SFO, Mr. 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 an interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2010 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, Underlying Shares and Debentures

As at 30 June 2010, the following persons or companies had interest or short positions in the shares, underlying shares or debentures as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were 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	Number of shares and underlying shares	Approximate percentage of issued share capital
Veron International Limited (Note 1)	Beneficial owner	65,662,832	—	65,662,832	23.00%
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	23.00%
The Offshore Group Holdings Limited (Note 2)	Beneficial owner	63,515,555	—	63,515,555	22.25%
Chan Chun Chuen (Note 2)	Interest of controlled corporation	63,515,555	—	63,515,555	22.25%
Tam Miu Ching (Note 2)	Spousal interest	63,515,555	—	63,515,555	22.25%
Full Future Group Limited (Note 3)	Beneficial owner	18,500,000	—	18,500,000	6.48%
Raymond Chu Wai Man	Beneficial owner	352,211	2,800,000	3,152,211	1.10%
	Interest of controlled corporation (Note 3)	18,500,000	—	18,500,000	6.48%
Yun Po Kow Rowena (Note 3)	Spousal Interest	21,652,211	—	21,652,211	7.58%

Notes:

1. The entire issued share capital of Veron International Limited is beneficially owned by Ms. Kung Nina. Therefore, Ms. Kung Nina is deemed to be interested in the 65,662,832 shares held by Veron International Limited under the SFO.

2. The entire issued share capital of The Offshore Group Holdings Limited ("Offshore") is beneficially owned by an individual, Mr. Chan Chun Chuen. Ms. Tam Miu Ching is the wife of Mr. Chan Chun Chuen. Therefore, Mr. Chan Chun Chuen and Ms. Tam Miu Ching are deemed to be interested in the 63,515,555 shares held by Offshore under the SFO. Since the end of the six months period ended 30 June 2010, on 16 July 2010 the Company was notified by Offshore that it had sold 5,000,000 shares to an institutional buyer on 14 July 2010, reducing Offshore's holding in RCG to 58,515,555 shares.

3. The entire issued share capital of Full Future Group Limited is held by a Director, Mr. Raymond Chu Wai Man. Mr. Raymond Chu Wai Man is also a director of Full Future Group Limited. Ms. Yun Po Kow Rowena is the wife of Mr. Raymond Chu Wai Man and is therefore deemed to be interested in the 21,652,211 shares and options held by Mr. Raymond Chu Wai Man under the SFO.

Save as disclosed above, no person had an interest or short position in the shares, underlying shares or debentures 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 2009 under the section "Directors' Report".

Movements of the share options granted under the Share Option Scheme during the six months ended 30 June 2010 are as follows:

	Outstanding at beginning of the Period	Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period	Outstanding at the end of the Period	Date of grant	Vesting period	Exercisable period	Exercise price
Directors										
Raymond Chu Wai Man	1,300,000	–	–	–	–	1,300,000	20.04.2005	3 years	20.04.2008– 19.04.2015	34.5p
	1,500,000	–	–	–	–	1,500,000	04.10.2006	1 year	04.10.2007– 03.10.2016	64.25p
	400,000	–	–	–	400,000	–	29.03.2007	1 year	29.03.2008– 28.03.2017	136p
Dato' Lee Boon Han	400,000	–	–	–	–	400,000	04.10.2006	1 year	04.10.2007– 03.10.2016	64.25p
	225,000	–	–	–	225,000	–	29.03.2007	1 year	29.03.2008– 28.03.2017	136p
	–	225,000	–	–	–	225,000	29.04.2010 (Note 1)	–	29.04.2010– 28.03.2017	HK$8.21
	–	1,000,000	–	–	–	1,000,000	29.04.2010 (Note 1)	1 year	29.04.2011– 28.04.2020	HK$8.21

	Outstanding at beginning of the Period	Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period	Outstanding at the end of the Period	Date of grant	Vesting period	Exercisable period	Exercise price
Ying Kan Man	100,000	–	–	–	–	100,000	20.04.2005	3 years	20.04.2008– 19.04.2015	34.5p
	800,000	–	–	–	–	800,000	04.10.2006	1 year	04.10.2007– 03.10.2016	64.25p
	200,000	–	–	–	200,000	–	29.03.2007	1 year	29.03.2008– 28.03.2017	136p
	–	200,000	–	–	–	200,000	29.04.2010 (Note 1)	–	29.04.2010– 28.03.2017	HK$8.21
	–	400,000	–	–	–	400,000	29.04.2010 (Note 1)	1 year	29.04.2011– 28.04.2020	HK$8.21
Chong Khing Chung	72,500	–	–	–	72,500	–	29.03.2007	1 year	29.03.2008– 28.03.2017	136p
	–	72,500	–	–	–	72,500	29.04.2010 (Note 1)	–	29.04.2010– 28.03.2017	HK$8.21
	–	400,000	–	–	–	400,000	29.04.2010 (Note 1)	1 year	29.04.2011– 28.04.2020	HK$8.21
Chau Pak Kun	450,000	–	–	–	–	450,000	20.04.2005	3 years	20.04.2008– 19.04.2015	34.5p
	1,000,000	–	–	–	–	1,000,000	04.10.2006	1 year	04.10.2007– 03.10.2016	64.25p
	300,000	–	–	–	300,000	–	29.03.2007	1 year	29.03.2008– 28.03.2017	136p
Liu Kwok Bond	–	80,000	–	–	–	80,000	29.04.2010 (Note 1)	1 year	29.04.2011– 28.04.2020	HK$8.21
Li Mow Ming Sonny	–	80,000	–	–	–	80,000	29.04.2010 (Note 1)	1 year	29.04.2011– 28.04.2020	HK$8.21
General Dato' Seri Mohd Azumi (rtd) (Resigned as non-executive director on 31 May 2010)	200,000	–	–	200,000	–	–	04.10.2006	1 year	04.10.2007– 03.10.2016	64.25p
	–	80,000	–	80,000	–	–	29.04.2010 (Note 1)	1 year	29.04.2011– 28.04.2020	HK$8.21
Jonathan Michael Caplan (Resigned as independent non-executive director on 31 May 2010)	–	80,000	–	80,000	–	–	29.04.2010 (Note 1)	1 year	29.04.2011– 28.04.2020	HK$8.21
Subtotal	6,947,500	2,617,500	–	360,000	1,197,500	8,007,500				
Other employees										
In aggregate	35,000	–	–	–	–	35,000	20.04.2005	3 years	20.04.2008– 19.04.2015	34.5p
	2,477,500	–	–	215,000	2,262,500	–	29.03.2007	1 year	29.03.2008– 28.03.2017	136p
	–	2,262,500	960,000 (Note 2)	75,000	–	1,227,500	29.04.2010 (Note 1)	–	29.04.2010– 28.03.2017	HK$8.21
	–	2,880,000	–	350,000	–	2,530,000	29.04.2010 (Note 1)	1 year	29.04.2011– 28.04.2020	HK$8.21
Subtotal	2,512,500	5,142,500	960,000	640,000	2,262,500	3,792,500				
Total	**9,460,000**	**7,760,000**	**960,000**	**1,000,000**	**3,460,000**	**11,800,000**				

Notes:

1. The closing price of the shares immediately before 29 April 2010 is HK$8.10.

2. The weighted average closing price before the date of exercising for share options was HK$8.54.

Other than as disclosed above, no other share option was granted, cancelled, lapsed or exercised pursuant to the Share Option Scheme and the Post Listing Scheme of the Company during the six months ended 30 June 2010.

Disclosure of Information on Directors

Pursuant to rule 13.51B(1) of the Rules Governing the Listing of Securities on the HKSE (the "Hong Kong Listing Rules"), the changes of information on Directors during the six months ended 30 June 2010 are as follows:

Mr. Chong Khing Chung has been appointed as an executive Director of the Company with effect from 11 February 2010.

Mr. Pieter Lambert Diaz Wattimena has been appointed as an independent non-executive Director of the Company with effect from 25 March 2010 and has been appointed as a member of the audit committee and remuneration committee of the Company with effect from 1 June 2010.

Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman has been appointed as independent non-executive Director and a member of the audit committee, remuneration committee and chairman of nomination committee of the Company with effect from 1 June 2010.

Ms. Chau Pak Kun has stepped down from her executive role and has been re-designated as a non-executive Director with effect from 11 February 2010.

Dato' Lee Boon Han has been promoted to the chief executive officer of the Company (the "CEO") with effect from 11 February 2010.

Mr. Raymond Chu Wai Man has stepped down as the CEO but remains as the executive chairman of the Company with effect from 11 February 2010.

Mr. Ying Kan Man has been appointed as the acting chief operating officer of the Company with effect from 11 February 2010.

Mr. Li Mow Ming, Sonny has ceased to be a member of the remuneration committee of the Company and has been appointed as a member of the nomination committee of the Company with effect from 1 June 2010.

Resignation of Directors

General Dato' Seri Mohd Azumi (rtd) has resigned as a non-executive Director and deputy chairman of the Company due to health reasons and Mr. Jonathan Michael Caplan has resigned as an independent non-executive Director of the Company to pursue his other career interests, both with effect from 31 May 2010.

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 2010, except for the Code A.2.1. Before the appointment of Dato' Lee Boon Han as the CEO on 11 February 2010, the roles of the chairman and the CEO are performed by the same individual, Mr. Raymond Chu Wai Man, and are not separated. Since 11 February 2010, Mr. Raymond Chu Wai Man has stepped down as the CEO but remains as the chairman of the Company. The two positions are now held by two separate individuals to ensure their respective independence, accountability and responsibility. Mr. Raymond Chu Wai Man is in charge of the management of the Board and strategic planning of the Group while Dato' Lee Boon Han is responsible for the day-to-day management of the Group's business.

Directors' Dealing in the Company's Securities

The Company has adopted a code for Directors' dealings appropriate for a company whose shares are admitted to trading on AIM and takes all reasonable steps to ensure compliance by the Directors and any relevant employees. The form of this code is substantially the same as that set out in the Model Code. The Company also adopted a code of conduct on terms no less exacting than the required standard set out in the Model Code.

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 six months ended 30 June 2010.

Review of Financial Statements

The Audit Committee comprises of three independent non-executive directors. Mr. Li Mow Ming, Sonny acts as Chairman of the Audit Committee with Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman and Mr. Pieter Lambert Diaz Wattimena act as members. The arrangement of the Audit Committee is compliant with the Rule 3.21 of the Hong Kong Listing Rules.

The interim results for the six months ended 30 June 2010 are unaudited, but 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 six months ended 30 June 2010.

Publication of Interim Report

The interim report has been published on the Company's website (www.rcg.tv), the Company's webpage on www.rcg.todayir.com and the Hong Kong Stock Exchange's website (www.hkex.com.hk).

By Order of the Board of
RCG Holdings Limited
Ying Kan Man
Director

Hong Kong, 27 August 2010

As at the date of this report publication, the Board comprises the following directors:

Executive Directors:
Raymond Chu Wai Man
Dato' Lee Boon Han
Ying Kan Man
Chong Khing Chung

Non-executive Director:
Chau Pak Kun

Independent Non-executive Directors:
Liu Kwok Bond
Li Mow Ming, Sonny
Pieter Lambert Diaz Wattimena
Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman

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

1H'2010: £1 to HK$11.86
1H'2009: £1 to HK$11.59