2011
Interim Report

RCG

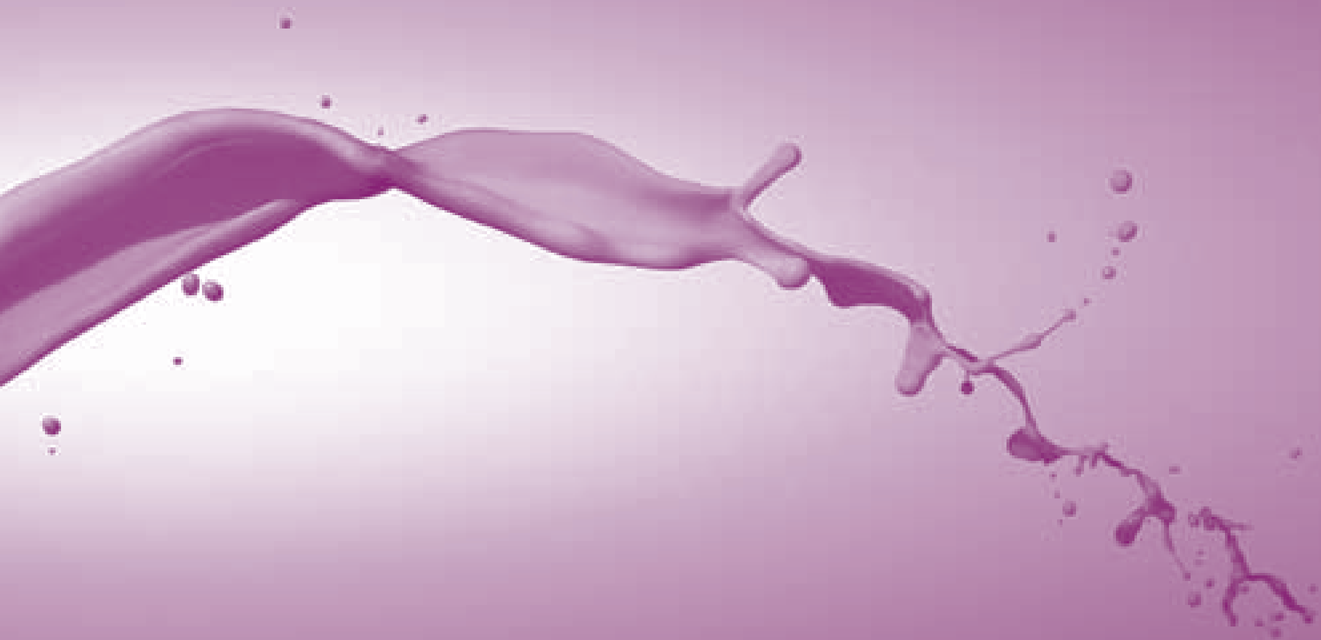
RCG Holdings Limited

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 governmental sector. 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, Taipei, Bangkok, Jakarta and Dubai, with authorised distributors present in major countries globally.

Contents

Highlights

FINANCIAL HIGHLIGHTS

- Revenue decreased by 32.3% to HK$977.1 million (£77.7 million) (1H 2010: HK$1,442.7 million (£121.6 million))
- Gross profit decreased by 64.9% to HK$234.5 million (£18.6 million) (1H 2010: HK$668.2 million (£56.3 million))
- Gross profit margin was 24.0% (1H 2010: 46.3%)
- Operating loss of HK$670.0 million (£53.3 million) (1H 2010: EBITDA of HK$379.5 million (£32.0 million))
- Loss per Share of HK$1.66 (13.2 pence) per share (1H 2010: EPS of HK$1.36 (11.5 pence) per share)
- Normalised EPS decreased by 83.3% to HK$0.29 (2.3 pence) per share (1H 2010: HK$1.74 (14.7 pence) per share)
- Subscription, share transaction and placing exercises successfully raised HK$221.7 million to fund major projects and R&D activities

OPERATIONAL HIGHLIGHTS

- Major projects won in the Solutions, Projects and Services business including the multiple platform gaming solutions for the ***Government of Sikkim***, India and ***SIMCash mobile-phone payment*** based in Indonesia and Malaysia
- Rationalisation of the corporate structure through the disposal of less profitable and dormant business units (***RCG Network, Skycomp Technology, UCH Technology, E-ctasia Technology, Towards Soft and Virtual Storage Centre***)
- Continued to focus on the ***Solutions, Projects and Services*** business segment with contract wins in governmental sector, healthcare, multi-national corporations and utility industries

SINCE PERIOD END

- On 15 July 2011, RCG announced completion of placing of 82,200,000 new shares, raising HK$82.2 million to fund the Company's projects
- On 18 July 2011, RCG announced appointment of Mr. Chew Tean Danny as the Company's acting CEO with effect from 15 July 2011

Chairman's Statement

I am pleased to report on the interim results for the six months ended 30 June 2011. During the period, the Company and its subsidiaries (collectively, "RCG" or the "Group") has significantly restructured its overall business model with the focus on its Solutions, Projects and Services business segment and has concentrated on distributors with proven track records in terms of their sales performance. RCG has continued to secure major projects including SIMCash mobile-phone payment based in Indonesia and Malaysia, development of Internet of Things (IoT) City in Xiangyang, PRC, and multiple platform based gaming solutions for the Government of Sikkim, India.

This strategy has involved the divestment of less profitable and non-core businesses in an effort to better allocate resources to fulfill the long term growth objectives of the Group. As part of this strategy, the Group disposed of its entire holdings in RCG Network, Skycomp Technology, UCH Technology, E-ctasia Technology, Towards Soft and Virtual Storage Center.

During the period the Group has experienced very challenging markets with competition in the technology sector, which has put pressure on pricing. RCG continues to experience implementation delays on certain projects which has resulted in lower sales in Solutions, Projects and Services segment. The board of directors of the Company (the "Director") (the "Board") has also decided to make further impairment provisions against the carrying value of contract rights, trade receivables and certain intangible assets which, combined with the lower revenues and margins, have resulted in a significant net loss for the first half of the year.

The Company announced on 7 March 2011 (with further updates given on 19 April 2011 and 30 June 2011), that Originating Summons had been issued by Veron International Limited ("Veron"), a shareholder which has disclosed holdings of approximately 13.31% of the total issued share capital of the Company as at the date of this report, against the Company in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region. The Originating Summons and actions taken by Veron have inevitably caused disruptions and distractions to the Company's business operations and management time. Furthermore, the unexpected outcome of the Company's annual general meeting in June 2011 that voted out the Company's previous Chief Executive Officer ("CEO") Dato' Lee Boon Han created further burden to the Company and greatly affected customers' confidence in dealing with the Company. The Board wishes to express its gratitude to Dato' Lee Boon Han for his contributions towards the development of the Group. The Board also thanks Mr. Chong Khing Chung, who resigned as Chief Financial Officer ("CFO") and executive Director effective from 1 August 2011 for personal reasons. In the temporary absence of a CFO, the Deputy CFO, Mr. Sim Kay Wah has assumed responsibilities for that role. The Board wishes Mr. Chong and Dato' Lee the best in their future endeavours.

The Board has immediately put a succession plan into action. In July 2011, the Board appointed Mr. Chew Tean Danny as the acting CEO of the Company. With over 15 years' experience in sales and development, Mr. Chew successfully developed and grew RCG's presence in the Middle East and is now taking more responsibility for the wider Group. We welcome Mr. Chew and Mr. Sim and will provide our guidance and support to them in their new roles. The Board continues to search for a permanent CEO and CFO and will make further announcements in due course.

I would like to take this opportunity to express my sincere gratitude to our shareholders, business partners and customers for their continued support of RCG as well as to the Group's management team and staff for their tireless dedication and efforts in developing the long term prospects for the Group.

Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman
Chairman

17 August 2011

Acting Chief Executive Officer's Statement

On behalf of the Company, I am pleased to present my statement as the acting CEO of RCG. During the first half of 2011, the Group revenue was HK$977.1 million, a 32.3% decrease compared to the same period in 2010. The decrease was mainly attributable to the reduction in the Consumer and in the Solutions, Projects and Services business segments of 75% and 52% respectively. The reduction in the Consumer segment revenue has largely been attributable to the change in strategy to focus on better quality and more reliable distributors in order to achieve better margins at the expense of volume sales. In the Solutions, Projects and Services business segment, the Group has experienced some delays in commencing contracts as it has sought to secure longer term business, however the Board believes that this remains the correct strategy and the benefits will accrue in due course. The reduced revenue in the two segments has been partly offset by a 46% increase in the Enterprise segment, however this has arisen as the Group has attempted to rationalise the business by selling off slow moving and obsolete stock at lower margins.

The gross margin for the six months ended 30 June 2011 was 24.0%, compared to 46.3% for the same period in 2010, with this decrease attributable to the significant amount of sales in the Enterprise segment at low margins, to the reduced selling prices in the Consumer segment caused by stiff competition and to increasing costs of raw material.

The Group recorded an operating loss of HK$670.0 million for the six months ended 30 June 2011 compared to an EBITDA of HK$379.5 million for the six months ended 30 June 2010, largely due to the reduction of gross margin by HK$433 million and impairment losses on intangible assets of HK$524.6 million The impairment losses were non cash and non operating items, of which HK$520 million were in relation to impairment against the carrying value of certain contract rights based on recent independent valuations carried out. The resulting net loss for the six months ended 30 June 2011 was HK$673.9 million, compared to a net profit of HK$371.0 million for the six months ended 30 June 2010.

Considering the current economic climate and slowdown that is being experienced in the collection of trade receivables, the Board has decided to impair a further HK$93 million against the trade receivables. However, the Board remains confident that debtors days will decline as the Group has put in place more aggressive collection methods.

Excluding the non-cash items and impairments, the Company is trading profitably.

During the first half of 2011, the Group continued to focus on developing its Solutions, Projects and Services business in the key areas including Southeast Asia, the Middle East and PRC. Major long term contracts which strengthen the Group's foothold in the technology sector will help to improve the Group's revenue visibility. These contracts include **SIMCash Solution** in Indonesia and Malaysia, multiple platform based gaming solutions for the **Government of Sikkim** in India, and **Internet of Things (IoT) City** in Xiangyang, PRC.

The Group continues to bid for contracts and to explore new revenue streams. Leveraging our established track record, the Group has won a number of contracts from governmental bodies and multi-national corporations, including from **Jabatan Kerajaan Raya Terengganu (Department of Public Works of Terengganu) in Malaysia, Panasonic Electronic Devices in Malaysia, Prince Court Medical Centre Hospital in Malaysia, Wet World Shah Alam** amusement park in Malaysia, **Sepang International Circuit in Malaysia,** the **Al Ain Municipality in the Middle East, Tyco International in the Middle East,** the **State Grid Corporation of China, Beijing Shougang Automatic Information Technology Co., Ltd.,** and **Hewlett-Packard Tianjin in China.**

Research and development activities remain a vital part of our business and during the period we have invested HK$60.4 million towards the development of new solutions and are assessing appropriate hardware products. The Group developed and launched **SIMCash Mobile Phone Payment Solution**, **R-series RFID readers** and, self-developed controllers **EL 2000**, **FL 1000**, and **XML 1000** to complement its access control products and solutions.

In January 2011, the Group disposed of its 51% shareholding in **RCG Network** whose principal activity is in the sales and distribution of IT products including computers and notebooks. In June 2011, the Group disposed of groups of dormant and unproductive companies among which, **UCH Technology** and **Skycomp Technology**, both dormant entities previously engaged in the trading and distribution of computer-related products and biometrics devices. During the first half of 2011, the Group also disposed **E-ctasia Technology** which principal activity at the time of disposal was repair and maintenance of computers, installations and sale of security products, **Towards Soft Technology** which principal activity at the time of disposal was software development and **Virtual Storage Centre** which principal activity at the time of disposal was provision of online information and data sharing solutions. Whilst the disposals resulted in a fall in revenue, especially in the consumer business segment, these were low margin activities and the disposals will allow the Group to focus its resources on other more profitable business segments and to pursue new opportunities with better long term prospects.

Given the need for capital to fund major projects and the Group's research and development activities, the Group completed a number of subscription and placing activities resulting in a total fundraising of approximately HK$221.7 million through two subscriptions in January and February 2011, a share transaction in January 2011 and a placing in May 2011. The Board is grateful for the confidence of our investors in the Company and will closely monitor the use of funds in our future developments. The cash position of the Group as at 1 August 2011 was approximately HK$96 million, which the Board is comfortable that this is sufficient for the Group's current working capital requirements.

OUTLOOK

Moving forward the Group will continue its efforts to improve cash flow and collections by tightening its trading policies with its distributors. The Group will closely monitor the competition in the market and adopt a pragmatic approach to its sales and pricing policy in order to maintain its margin. Building on the contract negotiations and industry demands during the first half of 2011, the Group intends to diversify its business to the sectors of entertainment, financials and telecommunication by nurturing partnerships with other technology providers and system integrators. Despite the difficult trading environment that the Group had and continues to experience, the Board believes that it is well placed to implement the newly won longer term projects, including **SIMCash Solution** in Indonesia and Malaysia, multiple platform based gaming solutions for the **Government of Sikkim** in India, and **Internet of Things (IoT) City** in Xiangyang, PRC, with a view to maximise revenue generation over the life of those projects.

Danny Chew Tean
Acting Chief Executive Officer

17 August 2011

Management Discussion and Analysis

BUSINESS REVIEW

During the six months ended 30 June 2011, the Group recorded turnover of HK$977.1 million, representing a decrease of 32.3% compared to the same period in 2010. The decrease in turnover was attributable to the reduction in Consumer biometric sales and the slowdown in the implementations of a number of solutions projects, partly offset by an increase in the Enterprise sales.

Gross margin for the six months ended 30 June 2011 was 24.0%, compared to 46.3% for the same period in 2010 due to a number of factors, particularly the significant amount of Enterprise sales at low margins, margin pressure in Consumer segment to stay competitive and increase in raw material cost. The Group reported a net loss of HK$673.9 million for the six months ended 30 June 2011, as a result of the significant reduction in gross margin and impairment charges of certain assets.

Performance of business segments

The Group is a leading international developer and solutions provider in the biometric, RFID and security industries and delivers high-performing, convenient security systems for enterprises and consumers. The business segment is divided into three categories: "**Consumer**", "**Enterprise**", and "**Solutions, Projects and Services**".

The Group's **Consumer** segment consists of biometrics and RFID products which are being used in daily consumer applications, such as **FxGuard Windows Logon** facial recognition software for computer login, **i-train** wireless education system allowing interactive and real-time in-class participation and **m-series** fingerprint doorlocks. The Group sells its **Consumer** segment products through third-party distributors.

The **Enterprise** segment consists of biometric and RFID products for commercial use, such as **i-series** and **s-series** fingerprint authentication devices, together with **EL-1000** and **XL-1000** controllers forming access control and employee attendance system, **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 the 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; supplying them to enterprises to solve business needs in security, asset management or efficiency improvements. These **Solutions, Projects and Services** applications focus on high growth industries such as banking, logistics and transportation, entertainment, healthcare, anti-counterfeit and government sectors solutions.

	Six months ended 30 June				HK$ y-o-y
	2011 (unaudited)		2010 (unaudited)		growth
Business Segment	HK$ m	%	HK$ m	%	%
Consumer	157.0	16.1	629.6	43.6	(75.1)
Enterprise	638.2	65.3	437.4	30.3	45.9
Solutions, Projects and Services	181.9	18.6	375.7	26.1	(51.6)
Total Revenue	977.1	100.0	1,442.7	100.0	(32.3)

The key contributor to the Group's turnover as at 30 June 2011 is the Enterprise segment which contributed 65.3% of the total Group's turnover. The Enterprise segment revenue grew by 45.9% from HK$437.4 million in the first half of 2010 to HK$638.2 million in the same period of 2011, as the Company reduced its excess stock of the biometric modules and components at a lower price.

Revenue from the Consumer segment in the six months ended 30 June 2011 was HK$157.0 million. This segment experienced a 75.1% decrease compared to the same period in 2010 due to a reduction in distribution sales in this segment as well as a consequence of the disposal of RCG Network, a subsidiary of the Group whose business was mainly in the consumer IT products sales and distributions.

The Solutions, Projects and Services business segment experienced a 51.6% revenue decrease from HK$375.7 million in the six months ended 30 June 2010 to HK$181.9 million in the six months ended 30 June 2011. The decrease was attributable to delays in implementation of certain project, and the change in its strategy to focus on long term projects. A majority of the revenue of the recently won contracts are expected to start generating revenue in the next few years.

Geographical performance

In the first half of 2011, the Group continued to focus its business in the Asia Pacific and the Middle East regions. The Group works with distributors and dealers worldwide, including 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.

	Six months ended 30 June				HK$ y-o-y
	2011 (unaudited)		2010 (unaudited)		growth
Geographical Segment	HK$ m	%	HK$ m	%	%
Southeast Asia	484.7	49.6	759.1	64.0	(36.1)
Greater China	285.4	29.2	411.6	34.7	(30.7)
Middle East	202.2	20.7	265.9	22.4	(24.0)
Other Regions	4.8	0.5	6.1	0.5	(21.3)
Total Revenue	977.1	100.0	1,442.7	100.0	(32.3)

In the six months ended 30 June 2011, all regions reported lower revenue compared to the revenue in the same period in 2010, with each region showing similar patterns of reduction in Consumer segment and Solutions, Projects and Services segment for the reasons described above.

Similarly, all regions reported increase in Enterprise sales. The majority of the revenue in the Southeast Asia region was derived from the Enterprise segment which accounted for 70.8% of total revenue in the region. The Enterprise segment also accounted for a majority 82.7% of revenue in the Middle East. The demand in the Enterprise segment and Solutions, Projects and Solutions segment in Greater China were of similar magnitude, with the Enterprise segment contributing 43.5% of the total revenue and the Solutions, Projects and Solutions segment contributed for 37.6% of the total revenue in the region.

Disposals

On 5 January 2011, the Group disposed of its 51% shareholding in RCG Network, its indirect subsidiary whose principal activities were the distribution of IT products including personal computers and notebooks, for a total consideration of RM2.65 million (HK$6.71 million). The Group previously used RCG Network to promote its FxGuard Windows Logon software and has successfully bundled the software with notebook computers sold by RCG Network. Following the disposal, the Group continued to collaborate with the purchaser to distribute the software.

On 22 June 2011, the Group disposed of its indirectly wholly owned subsidiaries Skycomp Technology and UCH Technology for an aggregate consideration of RM32.4 million (HK$82.6 million). The companies were previously engaged in computer-related products and biometrics, and these businesses have been transferred to RCG Matrix, another subsidiary of the Group. The two companies were dormant at the time of the disposals.

In addition, the Group had also disposed a number of dormant and less profitable subsidiaries, **E-ctasia Technology** which principal activity at the time of disposal was repair and maintenance of computers, installations and sale of security products, **Towards Soft Technology** which principal activity at the time of disposal was software development and **Virtual Storage Centre** which principal activity at the time of disposal was provision of online information and data sharing solutions. These companies had been disposed of for an aggregate consideration of HK$0.5 million.

The disposals were undertaken in order to rationalise the Group's corporate structure and to focus its resources on other business segments and on new opportunities which are seen to carry better prospects for the Group.

Acquisitions

On 11 January 2011, the Group entered into a share purchase and exchange agreement to acquire 13,000,000 shares in Spartan Gold Limited for a total consideration of US$6.5 million (HK$50.7 million), satisfied by the issuance of 15,600,000 new shares in the Company. Spartan Gold Limited (OTCBB: SPAG) is a diversified junior gold exploration and mining company with gold exploration and development projects in Nevada and Alabama, United States. The share exchange enabled the Group to provide its technology to Spartan in order to deploy its biometrics, RFID and security related technologies in the mining field.

On 18 January 2011, the Group acquired 54.5% of ordinary shares in Eramen Technology Limited with a cash consideration of US$60,000. The principal activity of Eramen is the development of mobile payment solutions and mobile application technology. The acquisition enabled the Group to collaborate on the development and launch of its SIMCash Solution, a mobile phone based payment solution.

FINANCIAL REVIEW

Turnover

For the six months ended 30 June 2011, the Group reported total revenue of HK$977.1 million representing a decrease of 32.3% compared to HK$1,442.7 million in the same period in 2010. The decrease was mainly due to the reduction in the Consumer biometric sales and the slowdown in the implementations of a number of solutions projects, partly offset by an increase in the Enterprise sales.

Cost of sales

Cost of sales decreased 4.1% from HK$774.5 million in the six months ended 2010 to HK$742.6 million in the same period in 2011. In terms of percentage of sales, the cost of sales increased from 53.7% in the six months ended 30 June 2010 to 76.0% in the six months ended 30 June 2011, resulting from a more competitive pricing, higher raw material cost and the sale of a significant amount of old stocks.

Gross profit and gross profit margin

Gross profit in the first half of 2011 was HK$234.5 million, a decrease of 64.9% as compared to HK$668.2 million in the same period of 2010. The Group adjusted its pricing strategy in order to remain competitive, incurred higher raw material costs and sold a significant amount of old inventories at a lower margin, leading to a gross profit margin of 24.0% (H1 2010: 46.3%).

Other operating income

Other operating income increased from HK$3.6 million during the first half of 2010 to HK$14.0 million in the same period of 2011, of which HK$8.97 million was foreign exchange gain arising from cross border transaction.

Administrative expenses

Administrative expenses increased by 14.8% from HK$175.1 million in the H1 2010 to HK$201.0 million in the same period in 2011 mainly attributable to the provision of bad and doubtful debts and related administrative expenses. In addition, there were a number of non-cash impairment losses against certain assets of HK$524.6 million, predominantly impairment losses against certain contract rights.

Selling and distribution costs

Selling and distribution costs decreased by 44.5% from HK$101.1 million in the six months ended 30 June 2010 to HK$56.1 million in the same period in 2011 due to lower marketing cost incurred in line with the lower sales in the period.

Finance costs

Finance costs during the first half of 2010 and 2011 were unchanged at HK$3.5 million.

Other Operating Loss

The Group accounted for the loss on the disposal of its subsidiaries of HK$41.4 million during the first half of 2011.

Loss before taxation

Loss before taxation for the six months ended 30 June 2011 was HK$673.4 million, compared to a profit before taxation of HK$376.0 million in the same period in 2010. The loss before taxation in the first half year in 2011 as a result of the significant lower margin and impairment losses of certain assets.

Income tax expense

Income tax expense decreased from HK$4.9 million in first half of 2010 to HK$0.5 million in same period in 2011.

Loss for the period

The Group's loss for the period was HK$673.9 million compared to profit of HK$371.0 million in the same period in 2010.

Loss attributable to the equity holders of the Company

Profit attributable to the equity holders of the Company decreased from a profit of HK$ 376.3 million in the first half of 2010 to a loss of HK$579.5 million in the same period of 2011.

Loss attributable to the non-controlling interests

The loss attributable to the minority interests of HK$94.4 million was mainly due to impairment and amortisation of contract rights.

REVIEW OF THE GROUP'S FINANCIAL POSITION AS AT 30 JUNE 2011

Liquidity and capital resources

The Group funds its operations with sales revenue from its operating activities. The Group also has cash inflows from interest income and collections as well as 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$61.6 million during the six months ended 30 June 2011 compared to HK$106.3 million in the first half of 2010. The capital expenditure was mainly used for acquisition of property, plant and equipment and investment in research and developments.

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

	Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
Purchase of property, plant and equipment	**1,279**	7,219
Investment in research and development	**60,366**	99,050
Total	**61,645**	106,269

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 maintained a liquid position, banking facilities have nevertheless been put in place for contingency purposes. As at 30 June 2011, the Group had trade financing facilities amounting to HK$48.9 million secured by fixed deposit, and a term loan facility amounting to HK$67.2 million secured by the pledging of a Malaysian property.

Save as disclosed above, there were no other charges on assets as at 30 June 2011.

The interest rates for the trade financing line ranged from 3.44% to 5.40% and this facility is 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 loans facility carries interest at a rate of 4.65% to 6.36% is denominated in Ringgit and RMB.

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

	Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
Total bank borrowings, secured, repayable within one year	**49,885**	242,704
Total bank borrowings, secured, repayable more than one year	**49,394**	51,364
Total	**99,279**	294,068

The Group had cash and cash equivalents of HK$86.9 million as of 30 June 2011 compared to HK$264.8 million as of 30 June 2010.

Gearing ratio

As at 30 June 2011, the Group's gearing ratio was approximately 0.026x, as compared to 0.065x as at 30 June 2010. The gearing ratio was calculated as the Group's total debt divided by its total capital. Debt of HK$99.3 million is calculated as total borrowings (including short-term bank loans amounting HK$49.7 million, current portion of financing obligations amounting HK$0.2 million, long-term bank loans amounting HK$49.1 million and long-term financing obligations of HK$0.3 million). Total capital is calculated as total shareholder equity of HK$3,679.7 million plus debt.

Contingent Liabilities

As at 30 June 2011, the Group had no contingent liability. There was also no contingent liability recorded at 30 June 2010. The Company acted as a guarantor of its subsidiaries to secure interest-bearing borrowings, which amounting to approximately HK$96.2 million (2010: HK$113.2 million).

The carrying amount of the financial guarantee provision recognised in the Company's balance sheet was approximately HK$172,434 as at 30 June 2011, compared to HK$1,662,836 as at 30 June 2010. The financial guarantee contract was eliminated on consolidation.

Foreign exchange risk management

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

HUMAN RESOURCES

As at 30 June 2011, in addition to the Directors, there were around 160 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 six months ended 2011 were HK$32.4 million, compared with HK$35.9 million in first half 2010. The saving was attributable to the Group's continuous efforts to reduce its overheads and re-allocate the project resources by increasing collaboration with third party partners, hence reducing the dependency on internal manpower needs.

The Group offers training and development courses for its employees to enhance the staff's working capabilities. Remuneration packages are linked with individuals' and the Group's business performance, and taking into consideration industry practices and market conditions, reviewed on an annual basis. Directors' remunerations are determined with reference to his duties and responsibilities with the Company, the Company's standards for emoluments and market conditions. Share options are also granted to eligible employees based on individual's performance as well as the Group's performance.

MANAGEMENT OUTLOOK

The Group remains conscious of trading conditions and working capital requirements. It will continue monitoring its trading conditions and the competitive landscape while executing strict cost control and adjusting its trading policies with its distributors. It will closely monitor the competition in the market and adopt a pragmatic approach in its sales and pricing policy in order to maintain its margin.

More specifically, the Group remains focused on executing the contracts won from various governmental bodies in Southeast Asia and major corporations in China and the Middle East to maximise revenue generation. The Company also expects to leverage relationships with system integrators and other technology providers in order to achieve diversification of the projects to entertainment, financial and telecommunication sectors in the Solutions, Projects and Services business segment.

The condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Group for the Period, and condensed consolidated statement of financial position of the Group as at 30 June 2011, along with selected explanatory notes, are set out as follows:

Condensed Consolidated Income Statement

For the six months ended 30 June 2011

	Notes	2011 HK$'000 (Unaudited)	2010 HK$'000 (Unaudited)
Turnover	3	**977,125**	1,442,689
Cost of sales		**(742,581)**	(774,491)
Gross profit		**234,544**	668,198
Other operating income	4	**14,047**	3,604
Gain arising on change in fair value of investment properties		**5,311**	—
Share of result of an associate		**(77)**	—
Loss on disposal of subsidiaries	19	**(41,428)**	—
Loss arising on fair value of financial assets at fair value through profit or loss		**(183)**	—
Impairment loss on trade receivables		**(93,028)**	(177)
Impairment loss on intangible assets	11	**(520,117)**	—
Impairment loss recognised in respect of goodwill	10	**(4,508)**	(15,978)
Impairment loss on available-for-sale financial assets		**(7,402)**	—
Selling and distribution costs		**(56,078)**	(101,067)
Administrative expenses		**(200,979)**	(175,100)
(Loss)/profit from operations		**(669,898)**	379,480
Finance costs		**(3,498)**	(3,516)
(Loss)/profit before taxation	5	**(673,396)**	375,964
Income tax expense	6	**(473)**	(4,930)
(Loss)/profit for the period		**(673,869)**	371,034
Attributable to:			
Owners of the Company		**(579,509)**	376,274
Non-controlling interests		**(94,360)**	(5,240)
		(673,869)	371,034
Earnings per share attributable to the owners of the Company			
— Basic (HK cents)	7	**(166.0)**	135.7
— Diluted (HK cents)	7	**(166.0)**	135.1

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	2011 HK$'000 (Unaudited)	2010 HK$'000 (Unaudited)
(Loss)/profit for the period	**(673,869)**	371,034
Other comprehensive income for the period		
Available-for-sale financial assets:		
Loss arising on change in fair value	**(41,730)**	—
Reclassification adjustment upon disposal	**(5,289)**	—
Exchange differences on translation of investments in foreign subsidiaries	**24,873**	36,741
Total comprehensive income for the period	**(696,015)**	407,775
Attributable to:		
Owners of the Company	**(601,540)**	412,887
Non-controlling interests	**(94,475)**	(5,112)
	(696,015)	407,775

Condensed Consolidated Statement of Financial Position

As at 30 June 2011

	Notes	As at 30 June 2011 HK$'000 (Unaudited)	As at 31 December 2010 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	9	**199,474**	207,578
Investment properties		**59,781**	53,188
Prepaid lease payments		**33,819**	33,272
Interests in an associate		**—**	—
Goodwill	10	**—**	53,576
Intangible assets	11	**654,515**	1,228,684
Available-for-sale financial assets	12	**102,839**	77,859
		1,050,428	1,654,157
Current assets			
Prepaid lease payments		**501**	491
Inventories		**657,145**	714,929
Financial assets at fair value through profit or loss		**18,959**	—
Trade receivables	13	**1,364,914**	1,309,343
Deposits, prepayments and other receivables		**738,159**	778,592
Cash at bank and in hand		**86,946**	242,300
		2,866,624	3,045,655
Total assets		**3,917,052**	4,699,812
EQUITY			
Owners of the Company			
Share capital	14	**4,110**	3,015
Reserves		**3,675,603**	4,051,611
		3,679,713	4,054,626
Non-controlling interests		**83,074**	181,997
Total equity		**3,762,787**	4,236,623

Condensed Consolidated Statement of Financial Position (continued)

As at 30 June 2011

	Notes	As at 30 June 2011 HK$'000 (Unaudited)	As at 31 December 2010 HK$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Interest-bearing borrowings	15	**49,123**	50,510
Obligations under finance leases		**271**	368
Deferred tax liabilities		**2,407**	1,242
		51,801	52,120
Current liabilities			
Trade payables	16	**22,978**	165,410
Accruals and other payables		**29,243**	30,599
Tax payables		**358**	1,157
Interest-bearing borrowings	15	**49,722**	213,649
Obligations under finance leases		**163**	254
		102,464	411,069
Total liabilities		**154,265**	463,189
Total equity and liabilities		**3,917,052**	4,699,812
Net current assets		**2,764,160**	2,634,586
Total assets less current liabilities		**3,814,588**	4,288,743

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Attributable to the owners of the Company												Non-controlling interests	Total
	Share capital HK$'000 (Unaudited)	Share premium HK$'000 (Unaudited)	Available-for-sale securities revaluation reserve 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)	HK$'000 (Unaudited)	HK$'000 (Unaudited)
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
As at 1 January 2011	**3,015**	**1,767,640**	**–**	**31,845**	**(872)**	**37,498**	**83,577**	**59,150**	**48**	**2,072,725**	**–**	**4,054,626**	**181,997**	**4,236,623**
Total comprehensive income for the period	**–**	**–**	**(41,730)**	**–**	**–**	**19,699**	**–**	**–**	**–**	**(579,509)**	**–**	**(601,540)**	**(94,475)**	**(696,015)**
Issues of shares	**410**	**121,997**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**122,407**	**–**	**122,407**
Share-based payment	**–**	**–**	**–**	**9,986**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**9,986**	**–**	**9,986**
Lapse of share options	**–**	**–**	**–**	**(2,147)**	**–**	**–**	**–**	**–**	**–**	**2,147**	**–**	**–**	**–**	**–**
Acquisition of additional interest in a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,110)**	**–**	**(2,110)**	**(460)**	**(2,570)**
Disposal of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,988)**	**(3,988)**
Placing of shares	**685**	**98,640**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**99,325**	**–**	**99,325**
Share issuing expenses	**–**	**(2,981)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,981)**	**–**	**(2,981)**
As at 30 June 2011	**4,110**	**1,985,296**	**(41,730)**	**39,684**	**(872)**	**57,197**	**83,577**	**59,150**	**48**	**1,493,253**	**–**	**3,679,713**	**83,074**	**3,762,787**

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	Notes	2011 HK$'000 (Unaudited)	2010 HK$'000 (Unaudited)
Cash flows from operating activities			
(Loss)/profit before taxation		(673,396)	375,964
Adjustments for:			
Amortisation of intangible assets		114,417	90,933
Amortisation of prepaid lease payments		250	97
Gain on disposal of property, plant equipment		(177)	(1,828)
Impairment loss on intangible assets	11	520,117	—
Impairment loss on available-for-sale financial assets		7,402	—
Loss arising on fair value of financial assets at fair value through profit or loss		183	—
Reverse of provision for obsolescent stock		(60)	—
Share of result of an associate		77	—
Gain arising on change in fair value of investment properties		(5,311)	—
Loss on disposal of subsidiaries	19	41,428	—
Impairment loss recognised in respect of goodwill		4,508	15,978
Provision for obsolescent stock		88	1,991
Impairment loss on trade receivables		93,028	177
Depreciation	9	12,435	16,477
Share-based payment expenses		9,986	3,834
Bank interest income		(130)	(247)
Interest on the interest-bearing borrowings		3,363	3,329
Operating cash flows before movements in working capital		128,208	506,705
Decrease/(increase) in inventories		46,564	(43,763)
Increase in trade receivables		(208,472)	(506,389)
Decrease in deposits, prepayments and other receivables		40,602	57,349
Decrease in trade payables		(80,151)	(19,640)
Increase in accruals and other payables		6,677	28,442
Cash (used in)/generated from operating activities		(66,572)	22,704
Bank interest income received		130	247
Income tax paid		(1,458)	(240)
Net cash (used in)/generated from operating activities		(67,900)	22,711

Condensed Consolidated Statement of Cash Flows (continued)

For the six months ended 30 June 2011

	Notes	2011 HK$'000 (Unaudited)	2010 HK$'000 (Unaudited)
Cash flows from investment activities			
Purchases of property, plant and equipment	9	**(1,279)**	(7,219)
Investments in intangible assets	11	**(60,365)**	(99,050)
Net cash paid for acquisition of a subsidiary		**—**	(37,400)
Proceeds from disposal of property, plant and equipment		**1,144**	14,616
Purchase of available-for-sale financial assets		**(74,111)**	—
Investments in interest in an associate		**(77)**	—
Proceeds from disposal of subsidiaries	19	**1,263**	—
Increase in fixed deposits		**(518)**	—
Purchase of financial assets at fair value through profit or loss		**(19,142)**	—
Net cash received from acquisition of assets		**307**	—
Net cash paid for acquisition of additional shares of a subsidiary		**(460)**	—
Net cash used in investing activities		**(153,238)**	(129,053)
Cash flows from financial activities			
Interest expenses paid on interest-bearing borrowings and bank overdrafts		**(3,363)**	(3,329)
Issue of new shares		**221,732**	—
Share issuing expenses		**(2,981)**	—
Proceeds from exercise of options		**—**	7,881
Proceeds from incorporation of subsidiaries		**—**	11
Proceeds from inception of obligation under finance leases		**359**	—
Obligations under finance leases (repaid)/received, net		**(468)**	510
Interest-bearing borrowings (repaid)/received, net		**(167,663)**	38,840
Net cash generated from financing activities		**47,616**	43,913
Net decrease in cash and cash equivalents for the period		**(173,522)**	(62,429)
Cash and cash equivalents at the beginning of the period		**220,555**	312,146
Effect of foreign exchange rate changes		**17,650**	15,129
Cash and cash equivalents at 30 June		**64,683**	264,846
Analysis of the balances of cash and cash equivalents:			
Cash at bank and in hand		**86,946**	264,846
Fixed deposits		**(22,263)**	—
Cash and cash equivalents at 30 June		**64,683**	264,846

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 2010.

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 AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The accounting policies used in the Interim Financial Statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2010.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the International Accounting Standards Board (hereinafter collectively referred to as the "new and revised IFRSs"), which are effective for the Group's accounting period beginning 1 January 2011.

IFRSs (Amendments)	Improvements to IFRSs 2009
IAS 32 (Amendments)	Classification of Rights Issues
IFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
IFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions

The adoption of the new and revised IFRSs has no material effect on the Interim Financial Statements for the current or prior accounting period.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective:

IFRSs (Amendments)	Improvements to IFRSs 2010[1]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[2]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[3]
IAS 19 (Revised 2011)	Employee Benefits[4]
IAS 24 (Revised 2009)	Related Party Disclosures[5]
IAS 27 (Revised 2011)	Separate Financial Statements[4]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[4]
IFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[6]
IFRS 9	Financial Instruments[4]
IFRS 10	Consolidated Financial Statements[4]
IFRS 11	Joint Arrangements[4]
IFRS 12	Disclosure of Interests in Other Entities[4]
IFRS 13	Fair Value Measurement[4]
IFRIC — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[5]
IFRIC — Int 19	Extinguishing Financial Liabilities with Equity Instruments[7]

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

[1] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
[2] Effective for annual periods beginning on or after 1 July 2012
[3] Effective for annual periods beginning on or after 1 January 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 July 2011
[7] Effective for annual periods beginning on or after 1 July 2010

IFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognitions and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting period.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that application of IFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ended 31 December 2013 will impact the classification and measurement of the Group's available-for-sale investments, but is not expected to impact the Group's other financial assets and financial liabilities.

The directors of the Company anticipate that the application of other new and revised IFRSs will have no material impact on the results and the financial position of the Group.

3. 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 facial recognition software, m-series doorlocks that use biometric fingerprint authentication technology and iTrain educational 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-model 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 the Group's internally developed software and hardware capabilities supported by its 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. SEGMENT INFORMATION (continued)

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

For the six months ended 30 June 2011

	Consumer		Enterprise		Solutions, Projects and Services		Unallocated		Total	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Turnover										
– external sales	157,047	629,556	638,193	437,447	181,885	375,686	–	–	977,125	1,442,689
Segment results	50,815	245,970	123,411	218,788	60,318	203,440	–	–	234,544	668,198
Unallocated other operating income							14,047	3,604	14,047	3,604
Gain arising on change in fair value of investment properties	–	–	–	–	–	–	5,311	–	5,311	–
Depreciation	(1,470)	(2,788)	(1,470)	(2,788)	–	–	(9,495)	(10,901)	(12,435)	(16,477)
Amortisation of prepaid lease payments	–	–	–	–	–	–	(250)	(97)	(250)	(97)
Amortisation of intangible assets	(4,122)	(2,557)	(24,204)	(12,998)	(86,091)	(75,378)	–	–	(114,417)	(90,933)
Impairment loss on available-for-sale financial assets	–	–	–	–	–	–	(7,402)	–	(7,402)	–
Impairment loss on intangible assets	–	–	–	–	(520,117)	–	–	–	(520,117)	–
Impairment loss recognised in respect of goodwill	–	–	–	–	(4,508)	–	–	(15,978)	(4,508)	(15,978)
Loss arising on fair value of financial assets at fair value through profit or loss	–	–	–	–	–	–	(183)	–	(183)	–
Unallocated expenses	–	–	–	–	–	–	(264,488)	(168,837)	(264,488)	(168,837)
Finance costs							(3,498)	(3,516)	(3,498)	(3,516)
(Loss)/profit before taxation							(265,958)	(195,725)	(673,396)	375,964
Income tax expense							(473)	(4,930)	(473)	(4,930)
(Loss)/profit for the period							(266,431)	(200,655)	(673,869)	317,034
Segment assets	436,124	1,243,311	1,640,840	997,637	672,111	1,997,315	1,167,977	706,229	3,917,052	4,944,492
Segment liabilities	3,287	29,887	15,929	17,036	3,762	13,420	131,287	349,913	154,265	410,256
Other segment information:										
Additions to non-current assets	–	2,400	18,565	45,100	41,800	51,550	1,279	7,219	61,644	106,269
Depreciation	1,470	2,788	1,470	2,788	–	–	9,495	10,901	12,435	16,477
Amortisation of prepaid lease payments	–	–	–	–	–	–	250	97	250	97
Amortisation of intangible assets	4,122	2,557	24,204	12,998	86,091	75,378	–	–	114,417	90,933
Impairment loss recognised in respect of goodwill	–	–	–	–	4,508	–	15,978	–	4,508	15,978
Impairment loss on intangible assets	–	–	–	–	520,117	–	–	–	520,117	–
Impairment loss on available-for-sales financial asset	–	–	–	–	–	–	7,402	–	7,402	–
Loss arising on fair value of financial assets at fair value through profit or loss	–	–	–	–	–	–	183	–	183	–

3. SEGMENT INFORMATION (continued)

Geographical information

The Group operates in three principal geographical areas — Southeast Asia, Greater China and the 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 2011 HK$'000	 2010 HK$'000
Southeast Asia	484,672	759,059
Greater China	285,466	411,629
Middle East	202,191	265,861
Others	4,796	6,140
	977,125	1,442,689

4. OTHER OPERATING INCOME

	For the six months ended 30 June 2011 HK$'000	 2010 HK$'000
Bank interest income	130	247
Rental income	1,055	—
Gain on disposal of property, plant and equipment	177	1,828
Reversal of impairment loss on trade receivables	2,509	215
Reversal of provision for obsolete stock	60	—
Foreign exchange gain	8,970	—
Sundry income	1,146	1,314
	14,047	3,604

5. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

	For the six months ended 30 June	
	2011 HK$'000	2010 HK$'000
Finance costs		
Bank charges	135	187
Interests on interest-bearing borrowings and bank overdrafts wholly repayable within five years	3,363	3,329
	3,498	3,516
Other items		
Depreciation	12,435	16,477
Amortisation of prepaid lease payments	250	97
Amortisation of intangible assets	114,417	90,933
Impairment on trade receivables	93,028	177
Impairment loss recognised in respect of goodwill	4,508	15,978

6. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2011 HK$'000	2010 HK$'000
Current tax:		
— Malaysia	—	3,335
Overprovision of tax in the previous year	(678)	—
Provision for deferred tax liabilities	1,151	1,595
	473	4,930

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the year.

Malaysian Income Tax is calculated at the statutory tax rate of 25% (2010: 25%) of the estimated assessable profit for the period. 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 period of assessment are as follows: The first Malaysian Ringgit 500,000 chargeable income is charged at the rate of 20% (2010: 20%) for the period and the amount of chargeable income exceeding Malaysian Ringgit 500,000 is charged at the rate of 25% (2010: 25%) for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the period is based on the Group's loss attributable to owners of the Company of HK$579,509,000 (2010: profit attributable to owners of the Company of HK$376,274,000) and the weighted average number of ordinary shares in issue during the period of 349,104,944 (2010: 277,385,433).

(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 loss attributable to owners of the Company of HK$579,509,000 (2010: profit attributable to owners of the Company of HK$376,274,000) and the weighted average number of ordinary shares for the purpose of diluted earnings per share during the period of 349,104,944 (2010: 278,609,681).

8. INTERIM DIVIDENDS

The directors of the Company do not recommend the payment of an interim dividend in respect of the period ended 30 June 2011 (30 June 2010: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group acquired items of property, plant and equipment with a cost of HK$1,279,000 (2010: HK$7,219,000). Items of plant and equipment with a net book value of HK$652,000 were disposed of during the six months ended 30 June 2011 (2010: HK$12,788,000), resulting in a gain on disposal of HK$177,000 (2010: a gain of HK$1,828,000).

Items of plant and equipment with a net book value of HK$315,000 were written off (2010: Nil) and depreciation HK$12,435,000 (2010: HK$16,477,000) was recognised during the six months ended 30 June 2011.

10. GOODWILL

The Group

	As at 30 June 2011 HK$'000	As at 31 December 2010 HK$'000
Cost		
As at the beginning of the period/year	**199,777**	175,120
Additional amounts recognised from business combinations occurred during the year	**—**	4,510
Disposal of subsidiaries	**(199,916)**	—
Exchange alignment	**4,649**	20,147
As at the end of the period/year	**4,510**	199,777
Accumulated impairment losses		
As at the beginning of the period/year	**146,201**	—
Impairment loss recognised during the period/year	**4,508**	145,519
Disposal of subsidiaries	**(149,680)**	—
Exchange alignment	**3,481**	682
As at the end of the period/year	**4,510**	146,201
Carrying amount		
As at the end of the period/year	**—**	53,576

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

	2011 HK$'000	2010 HK$'000
Software development	**—**	53,576

The Group tests goodwill for impairment at each reporting period, or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the CGU is determined from value-in-use calculations at 30 June 2011 and 31 December 2010. The key assumptions for the value-in-use calculations are those regarding the discount rates and growth rates. The directors of the Company estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risk specific to the CGU. The growth rates are based on past performance and its expectations for the development of the market.

10. GOODWILL (continued)

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

	Software development
As at 30 June 2011	
Growth rate	**7.70%**
Discount rate	**19.10%**
As at 31 December 2010	
Growth rate	2%
Discount rate	13.08/15.88%

For the period ended 30 June 2011, the directors of the Company had assessed the recoverable amount of the CGU that an impairment losses in the amount of HK$4,508,000 (31 December 2010: HK$145,519,000) was recognised as the recoverable amount of the CGU is less than the carrying amount of the CGU. The recoverable amounts of the CGU is determined based on value-in-use calculations. The calculations uses cash flow projections based on financial budgets approved by directors of the Company covering a five-year periods. Cash flows beyond the five-year period are extrapolated using the estimated growth rate, which does not exceed the projected long-term average growth rate.

11. INTANGIBLE ASSETS

During the six months ended 30 June 2011, the Group invested in product development and design with a cost of HK$60,365,000 (2010: HK$99,050,000).

The director of the Company had assessed the recoverable amount of intangible assets for the period ended 30 June 2011. An impairment loss of approximately HK$520,117,000 (2010: Nil) on intangible assets “contract rights” were recognised for the period ended 30 June 2011.

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30 June 2011 HK$'000	As at 31 December 2010 HK$'000
Equity securities at cost		
Unlisted outside Hong Kong	**154,200**	135,000
Equity securities at fair value		
Listed outside Hong Kong	**13,182**	—
	167,382	135,000
Impairment loss on unlisted equity securities	**(64,543)**	(57,141)
	102,839	77,859

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

At 30 June 2011, certain unlisted equity securities with carrying amount of HK$89,657,000 (31 December 2010: HK$77,859,000) were stated at cost less impairment loss because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably.

The directors of the Company had re-assessed recoverable amount of unlisted equity securities outside Hong Kong, and an impairment loss of approximately HK$7,402,000 was recognised for the period ended 30 June 2011 (31 December 2010: HK$57,141,000).

For listed equity securities, the fair value as determined based on the quoted market bid prices available on the relevant stock exchange.

13. TRADE RECEIVABLES

The aging analysis of the trade receivables is as follows:

	As at 30 June 2011 HK$'000	As at 31 December 2010 HK$'000
0–30 days	**233,530**	219,038
31–60 days	**155,230**	200,661
61–90 days	**182,684**	229,961
91–180 days	**310,699**	304,521
Over 180 days	**664,025**	449,792
	1,546,168	1,403,973
Impairment loss on trade receivables	**(181,254)**	(94,630)
	1,364,914	1,309,343

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.

14. SHARE CAPITAL

	As at 30 June 2011	As at 31 December 2010	As at 30 June 2011 HK$'000	As at 31 December 2010 HK$'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	**301,473,555**	273,563,555	**3,015**	2,736
Issue of shares *(i) (ii) (iii)*	**41,050,000**	26,500,000	**410**	265
Exercise of share options	**—**	1,410,000	**—**	14
Placing of shares *(iv)*	**68,500,000**	—	**685**	—
As at end of the period/year	**411,023,555**	301,473,555	**4,110**	3,015

The following movements in the Company's authorised and issued share capital took place during the period from 1 January 2011 to 30 June 2011:

(i) Pursuant to the subscription agreement dated 4 January 2011, the Company allotted and issued an aggregate of 6,450,000 shares of HK$0.01 each to an independent subscriber at a price HK$3.10 (25.77 pence) per share on 7 January 2011.

(ii) On 11 January 2011, the Group acquired 6.10% of the entire issued share capital of Spartan Gold Limited ("SPAG"), for an aggregated consideration of approximately HK$54,912,000, which was satisfied by the allotment and issue of 15,600,000 ordinary shares of the Company on 14 January 2011 as fully paid.

(iii) Pursuant to the subscription agreements dated 18 February 2011, the Company allotted and issued an aggregate of 19,000,000 shares of HK$0.01 each to independent subscribers at a price HK$2.50 (19.84 pence) per share on 24 February 2011.

(iv) On 27 May 2011, the Company allotted and issued an aggregate of 68,500,000 shares by way of placing to independent investors at a price of HK$1.45 (11.41 pence) per share.

15. INTEREST-BEARING BORROWINGS

	As at 30 June 2011 HK$'000	As at 31 December 2010 HK$'000
On demand or repayable:		
Within one year	**49,722**	213,649
In the second to fifth years	**23,685**	22,921
Over fifth years	**25,438**	27,589
Total bank borrowings, secured	**98,845**	264,159

The bank borrowings bear interest at rates ranging from 3.44% to 6.36% (31 December 2010: 1.53% to 5.2%) per annum for the six months ended 30 June 2011.

The Malaysian Ringgit bank borrowings of approximately HK$96,195,000 (31 December 2010: HK$92,101,000) were secured the Group's land and buildings in Malaysia with carrying values of approximately HK$140,049,000 (31 December 2010: HK$138,111,000) and bank deposits of approximately HK$24,883,000 (31 December 2010: HK$21,745,000) as at 30 June 2011.

The RMB bank borrowings of approximately HK$2,650,000 (31 December 2010: Nil) are secured by bank deposits of approximately HK$3,000,000 (31 December 2010: Nil) as at 30 June 2011.

16. TRADE PAYABLES

The aging analysis of the trade payables is as follows:

	As at 30 June 2011 HK$'000	As at 31 December 2010 HK$'000
0–30 days	**4,300**	86,051
31–60 days	**2,112**	37,501
61–90 days	**9,354**	27,188
Over 90 days	**7,212**	14,670
	22,978	165,410

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.

17. COMMITMENTS

As at 30 June 2011, 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 2011 HK$'000	As at 31 December 2010 HK$'000
Within one year	3,306	2,269
In the second to fifth years inclusive	200	4,324
	3,506	6,593

The Group had entered into product development contracts which give rise to a capital commitment of approximately HK$5,995,000 (31 December 2010: HK$66,360,000) as at 30 June 2011.

18. 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			
	2011		2010		2011		2010	
	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
Outstanding as at the beginning of the year	HK$8.21	6,215,000	–	–	53.94p	4,135,000	86.20p	9,460,000
Granted	–	–	HK$8.21	5,000,000	–	–	–	–
Exercised	–	–	HK$8.21	(960,000)	–	–	34.50p	(450,000)
Replaced	–	–	HK$8.21	2,760,000	–	–	136.00p	(2,760,000)
Lapsed	HK$8.21	(1,707,500)	HK$8.21	(585,000)	64.25p	(400,000)	75.15p	(1,415,000)
Cancelled	–	–	–	–	–	–	136.00p	(700,000)
Outstanding as at the end of the period/year	HK$8.21	4,507,500	HK$8.21	6,215,000	52.82p	3,735,000	53.94p	4,135,000

The options have contractual option terms ranging from 5 to 10 years. As at 30 June 2011, there were 8,242,500 outstanding options (31 December 2010: 10,350,000 options) of which no options were exercised in the six months period (31 December 2010: 1,410,000 options). Weighted average remaining contractual life of options outstanding as at 30 June 2011 was 7.00 years (31 December 2010: 9.30 years).

19. DISPOSAL OF SUBSIDIARIES

Skycomp Technology Sdn Bhd (the "Skycomp"), UCH Technology Sdn Bhd (the "UCH"), E-ctasia Technology Sdn Bhd (the "ECT"), Towards Soft Technology Sdn Bhd (the "Towards Soft"), Virtual Storage Center Sdn Bhd (the "VSC") and RCG Network Sdn Bhd (the "Network")

For the period ended 30 June 2011, the Company's subsidiaries, RCG International Holdings Limited and RCG Malaysia Sdn Bhd, entered into sale agreements with independent third parties to dispose of Skycomp, UCH, ECT, Towards Soft, VSC and Network.

Details of the aggregate assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in below.

Consideration received

	HK$'000
For the period ended 30 June 2011	
Cash consideration received	**7,450**

Analysis of aggregate assets and liabilities

	HK$'000
Property, plant and equipment	665
Trade receivables	54,464
Inventories	11,191
Prepayment, deposits and other receivables	5,395
Amount due from the Group	83,515
Tax receivables	646
Cash and cash equivalents	6,187
Trade payables	(62,283)
Obligation under finance leases	(90)
Accruals and other payables	(8,255)
Net assets disposed of	91,434
Non-controlling interest	(3,988)
The Group's share of net assets	87,446

Loss on disposal of subsidiaries

	HK$'000
Amount due from the Group assigned to the purchaser	83,515
Release of goodwill	(50,236)
Release of translation reserves	5,289
Consideration received	7,450
Net assets disposed of	(87,446)
Loss on disposal	(41,428)

19. DISPOSAL OF SUBSIDIARIES (continued)

Skycomp Technology Sdn Bhd (the "Skycomp"), UCH Technology Sdn Bhd (the "UCH"), E-ctasia Technology Sdn Bhd (the "ECT"), Towards Soft Technology Sdn Bhd (the "Towards Soft"), Virtual Storage Center Sdn Bhd (the "VSC") and RCG Network Sdn Bhd (the "Network") (continued)

Net cash inflow on disposal of subsidiaries

	HK$'000
Cash consideration received	7,450
Less: cash and cash equivalent balances disposed of	(6,187)
	1,263

20. CONTINGENT LIABILITIES

As at 30 June 2011, the Group had no contingent liabilities.

21. RELATED PARTY TRANSACTIONS

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

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

	2011 HK$'000	2010 HK$'000
Salaries and bonus	**5,340**	10,133
Retirement scheme contribution	**99**	51
Employee share option benefits	**5,287**	1,948
	10,726	12,132

22. SUBSEQUENT EVENTS

On 13 July 2011, the Company allotted and issued an aggregate of 82,200,000 shares by way of placing to independent investors at a price of HK$1.00 (8.03 pence) per share.

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 2011.

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

As at 30 June 2011, 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 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 Director	Capacity/Nature of interest	Number of shares	Number of underlying shares under options	Number of shares and underlying shares	Approximate percentage of issued share capital (Note 2)
Ying Kan Man	Beneficial owner	25,611	1,500,000	1,525,611	0.37%
Chong Khing Chung (Ceased to be a Director on 1 August 2011)	Beneficial owner	—	472,500	472,500	0.11%
Raymond Chu Wai Man	Beneficial owner	—	2,800,000	2,800,000	0.68%
Li Mow Ming, Sonny	Beneficial owner	—	80,000	80,000	0.02%
Liu Kwok Bond	Beneficial owner	—	80,000	80,000	0.02%
Dato' Lee Boon Han (Retired as an executive Director on 10 June 2011) *(Note 1)*	Beneficial owner	104,000	—	104,000	0.03%

Notes:

1. The number of shares and underlying shares of the Company held by Dato' Lee Boon Han up to 10 June 2011 immediately before his retirement. The options exercisable into 1,625,000 underlying shares held by Dato' Lee Boon Han lapsed on 10 June 2011 following his retirement.

2. Represents the approximate percentage of total issued shares as at 30 June 2011.

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 2011 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 2011, the following persons or companies (other than the Directors and chief executives) had interest or short positions in the shares, underlying shares or debentures as recorded in the register 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 (Note 3)
Veron International Limited *(Note 1)*	Beneficial owner	65,662,832	—	65,662,832	15.97%
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	15.97%
Lai Kar Yan, Derek *(Note 1)*	Trustee	65,662,832	—	65,662,832	15.97%
Lo Kin Ching Joseph *(Note 1)*	Trustee	65,662,832	—	65,662,832	15.97%
The Offshore Group Holdings Limited *(Note 2)*	Beneficial owner	53,515,556	—	53,515,556	13.02%
Chan Chun Chuen *(Note 2)*	Interest of controlled corporation	53,515,556	—	53,515,556	13.02%
Tam Miu Ching *(Note 2)*	Spousal interest	53,515,556	—	53,515,556	13.02%

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. Mr. Lai Kar Yan, Derek and Mr. Lo Kin Ching Joseph solely as Joint and Several Administrators pendente lite of Estate of Ms. Nina Kung.

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 53,515,556 shares held by The Offshore Group Holdings Limited under the SFO.

3. Represents the approximate percentage of total issued shares as at 30 June 2011.

Save as disclosed above, no person (other than the Directors and chief executives, whose interests are set out in the paragraph headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures"), had an interest or short position in the shares, 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 2010 under the section "Directors' Report".

Share Option Scheme

Movements of the share options granted under the Share Option Scheme and Post Listing Scheme during the period ended 30 June 2011 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
Dato' Lee Boon Han (Retired as an executive Director on 10 June 2011) *(Note 2)*	400,000	–	–	400,000	–	–	04.10.2006	1 year	04.10.2007–03.10.2016	64.25p
	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
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	29.04.2010 *(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 (Ceased to be a Director on 1 August 2011)	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
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
Subtotal	6,557,500	–	–	1,625,000	–	4,932,500				
Other employees										
In aggregate	35,000	–	–	–	–	35,000	20.04.2005	3 years	20.04.2008–19.04.2015	34.5p
	1,227,500	–	–	62,500	–	1,165,000	29.04.2010 *(Note 1)*	–	29.04.2010–28.03.2017	HK$8.21
	2,530,000	–	–	420,000	–	2,110,000	29.04.2010 *(Note 1)*	1 year	29.04.2011–28.04.2020	HK$8.21
Subtotal	3,792,500	–	–	482,500	–	3,310,000				
Total	10,350,000	–	–	2,107,500	–	8,242,500				

Notes:

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

2. The number of share options held by Dato' Lee Boon Han up to 10 June 2011 immediately before his retirement. The options exercisable into 1,625,000 underlying shares held by Dato' Lee Boon Han lapsed on 10 June 2011 following his retirement.

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 2011.

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 2011 is as follows:

Dato' Lee Boon Han retired by rotation as a director of the Company in accordance with the bye-laws of the Company with effect from 10 June 2011. Dato' Lee Boon Han has also ceased to be the chief executive officer ("CEO") of the Company.

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 ("CCG") contained in Appendix 14 to the Hong Kong Listing Rules as its additional code on corporate governance practices on 2 February 2009. The Company has complied with the CCG throughout six months ended 30 June 2011.

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 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 six months ended 30 June 2011.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee comprises of three independent non-executive directors. Mr. Li Mow Ming, Sonny acts as Chairman of the 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 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 2011.

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, 26 September 2011

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

Executive Director:
Ying Kan Man

Non-executive Directors:
Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman
Raymond Chu Wai Man

Independent Non-executive Directors:
Li Mow Ming, Sonny
Liu Kwok Bond
Pieter Lambert Diaz Wattimena

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

1H'2011: £1 to HK$12.58
1H'2010: £1 to HK$11.86