



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

Interim Report 2013

RCG Holdings Limited and its subsidiaries, engaged in business of biometric and RFID products, Solutions services, internet and mobile application and related services and commodities trading.

Established in 1999, RCG Holdings Limited has hands-on experience in serving a number of growing vertical industries such as telecommunication, finance, retail, transportation, entertainment, healthcare, aviation, logistics, real estate and governmental sector. RCG is publicly quoted and its Shares have been listed on the Main Board of the Hong Kong Stock Exchange since February 2009 and on the AIM Market of the London Stock Exchange since July 2004. RCG's Shares have also been capable of being traded on the ISDX Secondary Market (formerly PLUS Stock Exchange/PLUS-SX), a London based stock exchange since June 2007.

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, Macau and Dubai, with authorised distributors present in major countries globally.

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Highlights

FINANCIAL HIGHLIGHTS

- Revenue increased by 4.6% to HK\$421.1 million (£35.7 million) (1H 2012: HK\$402.7 million (£32.9 million))
- Gross profit decreased by 20.3% to HK\$-228.7 million (£-19.4 million) (1H 2012: HK\$-190.1 million (£-15.5 million))
- Gross profit margin was -54.3% (1H 2012: -47.2%)
- Operating loss of HK\$260.7 million (£22.1 million) (1H 2012: HK\$443.0 million (£36.2 million))
- Loss per share of HK\$0.43 (3.6 pence) per share (1H 2012: Loss per share of HK\$0.96 (7.8 pence) per share)

OPERATIONAL HIGHLIGHTS

- Realigning the core business by addressing core business sustainability, process reengineering and repositioning of the strength in its core competencies.
- Maximizing potential across all core businesses via cost approach while forging strategic alliances to complement the Group's core competencies.
- Refocusing and reviewing the portfolio mix of businesses within the Group, with the objective of maximising the returns of each investment.

SINCE PERIOD END

- On 19 July 2013, the Company announced the resignation of Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman as the non-executive director and chairman of the board of the Company with immediate effect. Upon his resignation, he ceased to be a member of the audit and remuneration committees of the Company and also ceased to be the chairman of the Company's nomination committee.
- On 28 August 2013, the Company announced that Mr. Zeng Min, an existing independent non-executive director of the Company, the chairman of the remuneration committee of the Company and a member of the nomination committee of the Company, was appointed as a member of audit committee of the Company with immediate effect.

Acting Chief Executive Officer's Statement

Dear Shareholders,

On behalf of the Company, I am pleased to present the Statement as the Acting CEO of RCG.

BUSINESS ENVIRONMENT

Economic prospects in the region remain fraught with uncertainty and are widely expected to remain weak. Nonetheless, with the gradual recovery of the American and Chinese economies, anchoring the regional economy, Asia is expected to expand at a commendable pace to emerge as the global growth leader in the near to medium term. Hence, it is expected that most economic sectors will remain relatively stable in the near to medium term.

It is against this backdrop that the Group needs to maintain a balanced portfolio of sustainable businesses, strategically and competitively positioned to take advantage of the evolving centre of economic activity towards the emerging Asian economies.

FINANCIAL AND BUSINESS REVIEW

For the first half of 2013 RCG has recorded a slight improvement, registering a net loss in its financials. The increase in turnover was largely attributed to contributions from additions, in particular of Commodity Trading. The Group has reported total revenue of HK\$421.1 million representing an increase of 4.6% compared to the same period in 2012.

Emerging from this turbulent period, the Group has reflected on its strategic direction, values and culture. The Group's strategic direction will focus on firstly, restoring the credibility and confidence of our stakeholders and secondly, setting RCG on the path to establishing leading position in its core businesses.

The Group's strategic direction for all businesses segments is centered around the following key areas:

1. Realigning the core businesses

The Group is committed to stabilise its core businesses, and will ensure timely completion of existing projects by addressing urgent capability gaps and talent requirements. We have identified the issues in our core businesses and are actively addressing them to turn the businesses around. We are also collaborating with strategic partners to strengthen our capabilities.

Currently, governance and controls within the Group are being enhanced by bolstering finance and legal controls and improving project monitoring and reporting.

2. Maximizing potential across all core businesses

The Group will continue to ensure that its businesses are performing optimally and strengthen their competitive positions by enhancing operational efficiencies. Central to this is an effort to inculcate a culture of thrift and cost-consciousness across the Group. The Group will also continue forging strategic alliances, whilst strengthening those that already exist, to complement the Group's core competencies.

Acting Chief Executive Officer's Statement

3. Reviewing the portfolio mix of the businesses within the Group

The Group will evaluate the performance and competitive position of its existing businesses using relevant financial and strategic diagnostics. Each business will be evaluated based on its financial contribution to the Group's overall performance as well as their strategic fit within the Group's overall portfolio. This is to ensure that the Group's portfolio of business remains dynamic and strategically competitive by identifying businesses that we will expand, divest or incubate.

BOARD CHANGE

During July 2013, Tan Sri Dato Nik Hashim Bin Nik Abdul Rahman had resigned as the Chairman and non-executive director of the Company due to his ill-health and advancing age. I would like to take this opportunity express our sincere gratitude for his valuable contribution to the Company during his tenure of office and wish him well in the future.

THANK YOU

My sincere appreciation goes 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 of the Group.

Danny Chew Tean

Acting CEO

29 August 2013

Management Discussion and Analysis

BUSINESS REVIEW

During the six months ended 30 June 2013, the Group recorded turnover of HK\$421.1 million, representing an increase of 4.6% compared to the same period in 2012. The increase in turnover was attributable to contributions from new additions to the Group's diversified portfolio of businesses, in particular from Commodity Trading.

Gross margin for the six months ended 30 June 2013 was -54.3%, compared to -47.2% for the same period in 2012 due to a number of factors, in particular the continuing pricing strategy adopted by the Company to remain competitive in its segment coupled with the sales of old stock at a discount, to finance the current operations and projects of the Group. The Group reported a net loss of HK\$259.8 million for the six months ended 30 June 2013, as a result of the reduction in gross margin.

Performance of business segments

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

The Group continues to believe that the "Internet of Mobile Application and Related Accessories" segment as a key growth area, in-line with the rapid growth of the mobile and gaming industry and in particular in Online gaming, Utilities Applications for IOS and Androids and Mass Advertising.

The Group's **Trading of Security and Biometric Products** segment consists of biometrics and RFID products for consumer applications. Whilst its Solutions, Projects and Services segment revolves around the delivery of developed software and equipments to enterprises.

The Group's Commodity Trading activities revolve around the trading of general commodities not limited to generally accepted common commodities like metal, ores, silks and so on. Trading is conducted on both open markets local and overseas; and also through private transactions.

Business Segment	Six months ended 30 June				HK\$ y-o-y growth
	2013 (unaudited)		2012 (unaudited)		
	HK\$ m	%	HK\$ m	%	%
Trading of Security and Biometric Products	151.8	36.0	398.1	98.9	-62
Solutions, Projects and Services	0.4	0.1	2.5	0.6	-84
Internet and Mobile Applications and Related Accessories	27.7	6.6	2.1	0.5	1,219
Commodities Trading	241.2	57.3	—	—	N/A
Total Revenue	421.1	100.0	402.7	100.0	4.6

Management Discussion and Analysis

The key contributor to the Group's turnover as at 30 June 2013 was the Commodity Trading segment which contributed 57.3% of total turnover. Following that, revenue from the Trading of Security and Biometric Products segment in the six months ended 30 June 2013 was HK\$151.8 million. This segment experienced a 62% decrease compared to HK\$398.1 million in the same period in 2012 due to, the continue reduction in distribution sales in this segment.

The Solutions, Projects and Services business segment experienced a 84% revenue decrease from HK\$2.5 million in the six months ended 30 June 2012 to HK\$0.4 million in the six months ended 30 June 2013. The decrease was attributable to the continuing evolution of the Group's strategy to continue to focus on long term projects, which have a longer completion period with steadier collection schedules.

Geographical performance

In the first half of 2013, the Group continued to focus its business in the Asia Pacific region. The Group continued to work with distributors and dealers around the region. The majority of the Group's revenues are generated from these regions.

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

Geographical Segment	Six months ended 30 June				HK\$ y-o-y growth %
	2013 (unaudited)		2012 (unaudited)		
	HK\$ m	%	HK\$ m	%	
Asia Pacific	420.5	99.9	400.5	99.5	5.0
Middle East	0.6	0.1	2.2	0.5	-71.4
Total Revenue	421.1	100.0	402.7	100.0	4.6

Asia Pacific region had a slightly increase in revenue from HK\$400.5 million in six months ended 30 June 2012 to HK\$421.1 million in six months ended 30 June 2013. The majority of the revenue in Asia Pacific region was derived from Commodities Trading segment, which accounted for 57% of revenue reported.

Middle East region decreased 71.4% from HK\$2.2 million in six months ended 30 June 2012 to HK\$0.6 million in six months ended 30 June 2013.

Disposals

On 6 February 2013, the Board announced that during the period from 9 April 2012 to 6 February 2013, RCG China Limited ("RCG China"), a wholly foreign owned company established under the laws of the PRC on 14 September 2006 and an indirectly wholly-owned subsidiary of the Company, entered into the sale and purchase agreements with various purchasers pursuant to which RCG China agreed to sell and the purchasers agreed to purchase six office units located at No. 8 Haidian North Second Street, Zhong Guan Cun SOHO Zhong Guan Cun, Haidian District, Beijing, PRC, which were owned by the Group for an aggregate consideration of RMB39,404,350 (approximately HK\$48,647,346).

Management Discussion and Analysis

On 27 March 2013, the Board announced that Sharp Asia International Limited (“Sharp Asia”), a wholly owned subsidiary of the Company, entered into an agreement with Mr. Chow Yik pursuant to which the Sharp Asia agreed to sell and the Mr. Chow Yik agreed to purchase the Group’s 25% equity interest in I-Century Limited, a company incorporated in British Virgin Islands with limited liabilities, for an aggregate consideration of HK\$29,000,000.

On 21 May 2013, the Board announced that RCG China Holdings Limited (“RCG China Holdings”), an indirect wholly owned subsidiary of the Company, entered into an agreement with Mr. Liu Ling Hao pursuant to which the RCG China Holdings agreed to sell and the Mr. Liu Ling Hao agreed to purchase the Group’s 6% equity interest in Hero View Limited, a company incorporated in British Virgin Islands with limited liabilities, for an aggregate consideration of HK\$20,000,000.

FINANCIAL REVIEW

Turnover

For the six months ended 30 June 2013, the Group reported total revenue of HK\$421.1 million representing an increase of 4.6% compared to HK\$402.7 million in the same period in 2012. The increase was mainly due to contributions from the Group’s new segment, Commodities Trading.

Cost of sales

Cost of sales increased 9.6% from HK\$592.8 million in the six months ended 30 June 2012 to HK\$649.9 million in the same period in 2013. In terms of percentage of sales, the cost of sales increased from 147.2% in the six months ended 30 June 2012 to 154.3% in the six months ended 30 June 2013.

Gross loss and gross profit margin

Gross loss in the first half of 2013 was HK\$228.7 million, as compared to gross loss of HK\$190.1 million in the same period of 2012 resulting from increasingly competitive pricing due to an already competitive market and the disposal of old stock at a discount.

Other operating income

Other operating income increased from HK\$4.7 million during the first half of 2012 to HK\$6.8 million in the same period of 2013.

Administrative expenses

Administrative expenses decreased by 80.0% from HK\$156.0 million in the first half of 2012 to HK\$31.2 million in the same period in 2013 mainly attributable to lower related administrative expenses.

Management Discussion and Analysis

Selling and distribution costs

Selling and distribution costs decreased by 98.8% from HK\$97.0 million in the six months ended 30 June 2012 to HK\$1.2 million in the same period in 2013 due to decrease of 98.8% marketing cost incurred to create better market awareness of the Company's brand and products.

Finance costs

Finance costs during the first half of 2013 remained constant at HK\$2.0 million from HK\$2.0 million in the same period in 2012.

Loss before taxation

Loss before taxation for the six months ended 30 June 2013 was HK\$262.6 million, compared to a loss before taxation of HK\$445.0 million in the same period in 2012. The loss before taxation in the first half year in 2013 was attributable to lower margin.

Income tax credit

Income tax credit increased from HK\$0.2 million in first half of 2012 to a HK\$2.9 million in same period in 2013.

Loss for the period

The Group's loss for the period was HK\$259.8 million compared to loss of HK\$444.7 million in the same period in 2012.

Loss attributable to owners of the Company

Loss attributable to owners of the Company decreased from a loss of HK\$473.1 million in the first half of 2012 to a loss of HK\$257.8 million in the same period of 2013.

Loss attributable to the non-controlling interests

The loss attributable to the non-controlling interests of HK\$2.0 million for six month ended 30 June 2013 (in the same period in 2012 the profit attributable to the minority interest was HK\$28.4 million).

REVIEW OF THE GROUP'S FINANCIAL POSITION AS AT 30 JUNE 2013

Liquidity and capital resources

The Group funds its operations with sales revenue from its operating activities. The Group also has cash inflows from interest income and collections. Key drivers in the Group's sources of cash are primarily the Group's sales, and their inflow depends on the Group's ability to collect payments. There have been no material changes in the Group's underlying drivers during the period under review.

The Group did not incur any capital expenditure during the six months ended 30 June 2013 (compared to HK\$0.6 million in the first half of 2012).

Management Discussion and Analysis

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

	Six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000
Purchase of property, plant and equipment	—	608

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

As at 30 June 2013, the Group had a term loan facility amounting to HK\$43.6 million secured by the pledging of a Malaysian property.

Save as disclosed above, there were no other charges on assets as at 30 June 2013.

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

	Six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000
Total bank borrowings, secured, repayable within one year	9,661	4,624
Total bank borrowings, secured, repayable more than one year	34,042	44,400
Total	43,703	49,024

The Group had cash and cash equivalents of HK\$78.4 million as of 30 June 2013 compared to HK\$17.8 million as of 30 June 2012.

Gearing ratio

As at 30 June 2013, the Group's gearing ratio was approximately 0.047x, as compared to 0.020x as at 30 June 2012. The gearing ratio was calculated as the Group's total debt divided by its total capital. Debt of HK\$43.7 million is calculated as total borrowings (including short-term bank loans amounting HK\$9.6 million, current portion of financing obligations amounting HK\$0.1 million and long-term bank loans amounting HK\$34.0 million). Total capital is calculated as total shareholder equity of HK\$890.7 million plus debt.

Management Discussion and Analysis

Contingent Liabilities

As at 30 June 2013 and 2012, the Group had no significant contingent liabilities. The Company acted as a guarantor of its subsidiaries to secure interest-bearing borrowings, which amounting to approximately HK\$43.7 million (2012: HK\$49.0 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 2013. The financial guarantee contract was eliminated on consolidation.

Deposits, prepayments and other receivable

As at 30 June 2013, the Group's deposits, prepayments and other receivable was HK\$37.3 million, as compared to HK\$77.9 million as at 30 June 2012. The reduction was mainly attributable to the conversion of trade deposits into stocks to meet the operation needs of the Group.

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 2013, in addition to the directors of the Company (the "Directors"), there were approximately 41 employees (31 December 2012: 48) 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 30 June 2013 were HK\$4.8 million, compared with HK\$6.7 million in first half 2012. The saving was attributable to the Group's continuous efforts to reduce its overheads and re-allocate the project resources by increasing collaboration with third party partners, hence reducing the dependency on internal manpower needs.

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

Management Discussion and Analysis

MANAGEMENT OUTLOOK

In these trying times, the Company had set in motion plans and actions that thus far, have enabled the achievement of better results, as well as the provision of a stable platform for sustainability and growth. This can be attributed to dedicated and experienced leaders in a structure that provide close focus for its operations in each business segments, and the continuous supports of key partners.

Further development of talent within the Company's management teams, together with strategic investments in growth areas, will be key factors that will enable the Company to steer through the uncertainties in the coming months, that affect today's business environment and deliver the expectations of the Group's stakeholders.

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2013

	Notes	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Turnover	3	421,133	402,689
Cost of sales		(649,863)	(592,793)
Gross loss		(228,730)	(190,104)
Other operating income	4	6,808	4,716
Loss on disposals of investments properties		(7,564)	(2,311)
(Loss)/gain arising on change in fair value of investment properties		(490)	16
Share of result of an associate		3	133
Change on fair value of financial assets at fair value through profit or loss		1,723	(2,494)
Selling and distribution costs		(1,190)	(96,984)
Administrative expenses		(31,213)	(155,996)
Loss from operations		(260,653)	(443,024)
Finance costs		(1,981)	(1,957)
Loss before taxation	5	(262,634)	(444,981)
Income tax credit	6	2,857	239
Loss for the period		(259,777)	(444,742)
Attributable to:			
Owners of the Company		(257,753)	(473,146)
Non-controlling interests		(2,024)	28,404
		(259,777)	(444,742)
Loss per share attributable to the owners of the Company			
— Basic and diluted (HK cents)	7	(43.1)	(95.9)

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Loss for the period	(259,777)	(444,742)
Other comprehensive income for the period:		
Item that may be or are reclassified subsequently to profit or loss:		
Available-for-sale financial assets:		
Gain/(loss) arising on change in fair value	97	(4,310)
Exchange differences on translating foreign operations		
Exchange differences arising during the period	(5,221)	4,304
Reclassification adjustments upon disposal	—	(128)
	(5,221)	4,176
	(5,124)	(134)
Total comprehensive income for the period	(264,901)	(444,876)
Attributable to:		
Owners of the Company	(262,877)	(473,283)
Non-controlling interests	(2,024)	28,407
	(264,901)	(444,876)

Condensed Consolidated Statement of Financial Position

As at 30 June 2013

	Notes	As at 30 June 2013 HK\$'000 (Unaudited)	As at 31 December 2012 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	9	144,695	157,813
Investment properties		24,563	57,765
Prepaid lease payments		18,513	19,221
Goodwill	10	62,017	62,017
Intangible assets	11	78,400	88,200
Interests in associates		—	28,912
Available-for-sale financial assets	12	15,117	34,220
		343,305	448,148
Current assets			
Prepaid lease payments		201	208
Inventories		1,000	386,326
Financial assets at fair value through profit or loss		5,455	3,732
Trade receivables	13	628,292	458,977
Deposits, prepayments and other receivables	14	37,252	4,997
Cash at bank and on hand		78,608	28,202
		750,808	882,442
Total assets		1,094,113	1,330,590
EQUITY			
Owners of the Company			
Share capital	15	6,962	5,976
Reserves		883,703	1,113,788
		890,665	1,119,764
Non-controlling interests		36,620	38,644
Total equity		927,285	1,158,408

Condensed Consolidated Statement of Financial Position

As at 30 June 2013

	Notes	As at 30 June 2013 HK\$'000 (Unaudited)	As at 31 December 2012 HK\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Interest-bearing borrowings	16	34,028	42,335
Obligations under finance leases		14	174
Deferred tax liabilities		14,761	17,698
		48,803	60,207
Current liabilities			
Trade payables	17	40,994	20,991
Accruals and other payables		67,327	74,817
Tax payable		43	912
Interest-bearing borrowings	16	9,593	4,685
Promissory note		—	10,500
Obligations under finance leases		68	70
		118,025	111,975
Total liabilities		166,828	172,182
Total equity and liabilities		1,094,113	1,330,590
Net current assets		632,783	770,467
Total assets less current liabilities		976,088	1,218,615

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Attributable to the owners of the Company												
	Share capital	Share premium	Available-for-sale securities revaluation reserve	Employee share-based compensation reserve	Convertible notes reserve	Capital reserve	Translation reserve	Shares issuable reserve	Legal reserve	Retained earnings	Sub-total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
As at 1 January 2012	4,932	2,051,074	(34,242)	21,161	—	(872)	(21,317)	59,150	48	822,710	2,902,644	(28,919)	2,873,725
Total comprehensive income for the period	—	—	(4,310)	—	—	—	4,173	—	—	(473,146)	(473,283)	28,407	(444,876)
Release of share issuable reserve	—	—	—	—	—	—	—	(59,150)	—	59,150	—	—	—
Lapse of share options	—	—	—	(11,638)	—	—	—	—	—	11,638	—	—	—
Acquisition of subsidiaries	—	—	—	—	4,162	—	—	—	—	—	4,162	41,265	45,427
Deferred tax of convertible notes issue for acquisition of a subsidiary	—	—	—	—	(686)	—	—	—	—	—	(686)	—	(686)
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	37	37
As at 30 June 2012	4,932	2,051,074	(38,552)	9,523	3,476	(872)	(17,144)	—	48	420,352	2,432,837	40,790	2,473,627
As at 1 January 2013	5,976	2,138,927	(39,292)	8,780	—	(872)	(13,427)	—	48	(980,376)	1,119,764	38,644	1,158,408
Total comprehensive income for the period	—	—	97	—	—	—	(5,221)	—	—	(257,753)	(262,877)	(2,024)	(264,901)
Placing of shares	986	34,017	—	—	—	—	—	—	—	—	35,003	—	35,003
Share issuing expenses	—	(1,225)	—	—	—	—	—	—	—	—	(1,225)	—	(1,225)
Lapse of share options	—	—	—	(2,087)	—	—	—	—	—	2,087	—	—	—
As at 30 June 2013	6,962	2,171,719	(39,195)	6,693	—	(872)	(18,648)	—	48	(1,236,042)	890,665	36,620	927,285

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Cash flows from operating activities		
Loss before taxation	(262,634)	(444,981)
Adjustments for:		
Amortisation of intangible assets	9,800	42,754
Amortisation of prepaid lease payments	103	177
Gain on disposal of property, plant equipment	(1,714)	(62)
Reversal of provision for obsolete stock	—	(574)
Reversal of impairment loss on trade receivables	(343)	—
(Gain)/loss arising on fair value of financial assets at fair value through profit or loss	(1,723)	2,494
Share of result of an associate	(3)	(133)
Loss on disposal of investment properties	7,564	2,311
Loss/(gain) arising on change in fair value of investment properties	490	(16)
Gain on disposal of a subsidiary	—	(109)
Gain on disposal of an associate	(84)	—
Gain on disposal of available-for-sale financial assets	(800)	—
Provision for obsolete stock	481	81,088
Depreciation	7,360	8,502
Bank interest income	(77)	(67)
Written-off of property, plant and equipment	—	1,284
Interest on the interest-bearing borrowings	1,904	1,884
Operating cash flows before movements in working capital	(239,676)	(305,448)
Decrease/(increase) in inventories	384,846	(213,350)
Increase in trade receivables	(168,971)	(37,500)
(Increase)/decreases in deposits, prepayments and other receivables	(16,255)	543,663
Increase/(decrease) in trade payables	20,003	(1,969)
Decrease in accruals and other payables	(7,494)	(18,501)
Cash used in operating activities	(27,547)	(33,105)
Bank interest income received	77	67
Income tax paid	—	(204)
Net cash used in operating activities	(27,470)	(33,242)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Cash flows from investment actives		
Purchases of property, plant and equipment	—	(608)
Net cash received from acquisition of subsidiaries	—	2,087
Proceeds from disposal of investment properties	25,870	3,967
Proceeds from disposal of property, plant and equipment	4,722	19,170
Proceeds from disposal of an associate	3,000	—
Proceeds from disposal of available-for-sale financial assets	20,000	—
Decrease in fixed assets	—	24,671
Net cash generated from/(used in) investing activities	53,592	49,287
Cash flows from financial activities		
Interest expenses paid on interest-bearing borrowings and bank overdrafts	(1,904)	(1,584)
Proceeds from placing of shares	33,778	—
Obligations under finance lessees repaid	(157)	(64)
Interest-bearing borrowings repaid	(1,913)	(28,771)
Net cash (used in)/generated from financing activities	29,804	(30,419)
Net increase/(decrease) in cash and cash equivalents for the period	55,926	(14,374)
Cash and cash equivalents at the beginning of the period	28,205	27,928
Effect of foreign exchange rate changes	(5,695)	4,217
Cash and cash equivalents at 30 June	78,436	17,771
Analysis of the balances of cash and cash equivalents		
Cash at bank and on hand	78,608	17,943
Fixed deposits	(172)	(172)
Cash and cash equivalents at 30 June	78,436	17,771

Notes to the Financial Statements

For the six months ended 30 June 2013

1. BASIS OF PREPARATION

(a) Statement of compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards (the “IAS”) 34 Interim Financial Reporting and disclosure requirements set out in Appendix 16 of the Rule Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rule”). 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 2012.

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

(b) Judgments and estimates

In preparing these interim unaudited condensed consolidated financial statement, management make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2012.

2. APPLICATION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS

The accounting policies used in these unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the consolidated financial statements as at and for the year ended 31 December 2012.

The Group had not early adopted the new and revised International Financial Reporting Standards (the “IFRS”) that have been issued but are not yet effective during the period.

The Group is in the process of assessing the impact of the new and revised IFRSs upon initial application but has not yet in a position to state whether these new and revised IFRSs would have a significant impact on its results of operations and financial position.

Notes to the Financial Statements

For the six months ended 30 June 2013

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 Trading of Security & Biometric Products, Solutions, Projects and Services, Internet & Mobile's Application & Related Accessories and Commodities Trading operating segments.

- *Trading of security & Biometric Products segment* consists of biometrics and RFID products for consumer applications. Examples include the m-series fingerprint doorlocks and FX-Secure-Key. Also, it carries biometric and RFID products and components for commercial use, such as i-series and s-series fingerprint authentication devices, together with EL-1000 and XL-1000 controllers forming access control, r-series RFID readers and controllers and K-series multi-modal security devices combining facial recognition, fingerprint authentication, password and RFID. The Group predominantly sells to distributors, system integrators and security system providers.
- *Solutions, Projects and Services segment* makes bespoke system solutions for end-users using our internally developed software and hardware capabilities supported by our own and third party products as required.
- *Internet & Mobile Applications & Related Accessories segment* is mobile and gaming industry and in particular in Online gaming, Utilities Applications for IOS, Translations business and Mass Advertising.
- *Commodity Trading segment* are trading of commodity goods.

The accounting policies of the reportable segments are the same as the Group's accounting policies. The key management assesses the performance of the business segments based on a measure of gross loss. Segment assets include all tangible, intangible assets and current assets with the exception of other corporate assets. Segment liabilities include trade payables, accruals and other payables except of current and deferred tax liabilities, other corporate liabilities attributable to the individual segments and other borrowings managed directly by the segments.

Notes to the Financial Statements

For the six months ended 30 June 2013

3. SEGMENT INFORMATION (continued)

The following table presents the Group's turnover, segment results and other information for operating segments for the six months ended 30 June 2013 and 30 June 2012 and segment assets and segment liabilities as at 30 June 2013 and 31 December 2012:

	Trading of Security & Biometric products		Solutions, Projects and Services		Internet & Mobile Application & Related Accessories		Commodities Trading		Unallocated		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover – external sales	151,772	398,096	454	2,507	27,651	2,086	241,256	–	–	–	421,133	402,689
Segment results	(234,364)	(191,379)	414	425	4,681	850	539	–	–	–	(228,730)	(190,104)
Other operating income									6,808	4,607	6,808	4,607
Loss on disposal of investment properties									(7,564)	(2,311)	(7,564)	(2,311)
(Loss)/gain arising on changes in fair value of investments properties									(490)	16	(490)	16
Depreciation	(5,899)	(74)	–	–	(200)	–	–	–	(1,261)	(8,428)	(7,360)	(8,502)
Amortisation of prepaid lease payments	–	–	–	–	–	–	–	–	(103)	(177)	(103)	(177)
Amortisation of intangible assets	–	(37,115)	–	(5,639)	(9,800)	–	–	–	–	–	(9,800)	(42,754)
Change on fair value of financial assets at fair value through profit or loss									1,723	(2,494)	1,723	(2,494)
Unallocated expenses									(15,137)	(201,305)	(15,137)	(201,305)
Finance costs									(1,981)	(1,957)	(1,981)	(1,957)
Loss before taxation									(18,005)	(212,049)	(262,634)	(444,981)
Income tax credit									2,857	239	2,857	239
Loss for the period									(15,148)	(211,810)	(259,777)	(444,742)
Segment assets	586,664	821,859	–	–	158,674	169,593	24,369	4,069	324,406	335,070	1,094,113	1,330,591
Segment liabilities	12,401	12,278	–	–	4,166	4,615	23,903	4,063	126,358	151,229	166,828	172,185
Other segment information:												
Additions to non-current assets	–	–	–	–	–	–	–	–	–	608	–	608
Depreciation	(5,899)	(74)	–	–	(200)	–	–	–	(1,261)	(8,428)	(7,360)	(8,502)
Amortisation of prepaid lease payments	–	–	–	–	–	–	–	–	(103)	(177)	(103)	(177)
Amortisation of intangible assets	–	(37,115)	–	(5,639)	(9,800)	–	–	–	–	–	(9,800)	(42,754)
Change on fair value of financial assets at fair value through profit or loss	–	–	–	–	–	–	–	–	1,723	(2,494)	1,723	(2,494)

Notes to the Financial Statements

For the six months ended 30 June 2013

3. SEGMENT INFORMATION (continued)

Geographical information

The Group operates in two principal geographical areas — Asia Pacific and Middle East. The following tables provide an analysis of the Group's turnover, by geographical areas, irrespective of the origin of the goods and services:

	Turnover	
	For the six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Asia Pacific	420,540	400,591
Middle East	593	2,098
	421,133	402,689

4. OTHER OPERATING INCOME

	For the six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Bank interest income	77	67
Rental income	1,432	728
Gain on disposal of property, plant and equipment	1,714	62
Gain on disposal of subsidiaries	—	109
Gain on disposal of an associate (Note)	84	—
Gain on disposal of available-for-sale financial assets	800	—
Reversal of impairment loss of trade receivables	343	—
Reversal of provision for obsolete stock	—	574
Foreign exchange gain	340	3,052
Sundry income	2,018	124
	6,808	4,716

Note:

During the six months ended 30 June 2013, the Group disposed 25% of equity interests in I-Century Limited, which carrying amount was approximately HK\$28,916,000, at aggregate consideration of HK\$29,000,000. For detail, please refer to the Company's announcements dated 27 March 2013 and 3 May 2013.

Notes to the Financial Statements

For the six months ended 30 June 2013

5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	For the six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000
Finance costs		
Bank charges	77	73
Interests on convertible notes	—	41
Interests on promissory notes	—	259
Interests on interest-bearing borrowings and bank overdrafts wholly repayable within five years	1,904	1,584
	1,981	1,957
Other items		
Cost of inventories sold	644,864	592,793
Depreciation	7,360	8,502
Amortisation of prepaid lease payments	103	177
Amortisation of intangible assets	9,800	42,754
Impairment loss on carrying amount of obsolete stock (Note)	—	81,088

Note: Inventories are stated at lower of cost and net realizable value at the reporting date.

6. INCOME TAX CREDIT

	For the six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000
Current tax expenses in respect of the current year — PRC	85	—
Deferred tax liabilities	(2,942)	(239)
	(2,857)	(239)

Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the period.

No provision for Hong Kong Profits Tax and Malaysian Income Tax has been made for both periods as the Company and its subsidiaries have no assessable profits arising in Hong Kong and Malaysia.

Notes to the Financial Statements

For the six months ended 30 June 2013

6. INCOME TAX CREDIT (continued)

Malaysian Income Tax is calculated at the statutory tax rate of 25% (2012: 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 years of assessment are as follows: The first Malaysian Ringgit 500,000 chargeable income is charged at the rate of 20% (2012: 20%) for the period and the amount of chargeable income exceeding Malaysian Ringgit 500,000 is charged at the rate of 25% (2012: 25%) for the period.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for the period (2012: 25%).

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Deferred tax charges represent tax effects of change in fair value of investment properties and disposal of investment properties and the excess of tax capital allowances over related depreciation of property, plant and equipment and intangible assets for the period ended 30 June 2013.

7. EARNINGS PER SHARE

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

Loss

	For the six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000
Loss for the purpose of basic and diluted loss per share		
Loss for the period attributable to owners of the Company	(257,753)	(473,146)

Number of shares

	For the six months ended 30 June	
	2013	2012
Weighted average number of ordinary shares for the purpose of basic loss per share	597,576,496	493,223,555
Effect of dilutive potential ordinary shares		
Share option scheme	—	—
Convertible notes	—	—
Weighted average number of ordinary shares for the purpose of dilutive loss per share	597,576,496	493,223,555

For the period ended 30 June 2013 and 2012 diluted loss per share was not presented because the exercise of share option and conversion of all outstanding convertible note consider would have anti-dilutive effect.

Notes to the Financial Statements

For the six months ended 30 June 2013

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 2013 (2012: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group did not acquired any property, plant and equipment (for the year ended 31 December 2012: approximately HK\$2,006,000). Items of property, plant and equipment with a carrying amount of approximately HK\$3,008,000 were disposed during the six months ended 30 June 2013 (for year ended 31 December 2012: approximately HK\$5,968,000), resulting in a gain on disposal of property, plant and equipment approximately HK\$1,714,000 (for year ended 31 December 2012: a loss on disposal of property, plant and equipment of approximately HK\$2,265,000).

10. GOODWILL

	Six months ended 30 June 2013 HK\$'000	Year ended 31 December 2012 HK\$'000
Cost		
As at the beginning of the period/year	195,296	154,479
Additional amounts recognised from business combinations occurred during the period/year	—	41,112
Disposal	—	(4,509)
Exchange alignment	—	4,214
As at the end of the period/year	195,296	195,296
Accumulated impairment losses		
As at the beginning of the period/year	133,279	133,574
Disposal	—	(4,509)
Exchange alignment	—	4,214
As at the end of the period/year	133,279	133,279
Carrying amount		
As at the end of the period/year	62,017	62,017

Notes to the Financial Statements

For the six months ended 30 June 2013

10. GOODWILL (continued)

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

	As at 30 June 2013 HK\$'000	As at 31 December 2012 HK\$'000
Home business accessories	20,905	20,905
Provision of advertising and entertainment application on mobile platforms	41,112	41,112
	62,017	62,017

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

The recoverable amounts of the CGUs are determined from value-in-use calculations for the period ended 30 June 2013 and for the year ended 31 December 2012. 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 CGUs. The growth rates are based on past performance and its expectations for the development of the market.

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

	Home business accessories	Provision of advertising and entertainment applications on mobile platforms
As at 30 June 2013		
Growth rate	3%	3%
Discount rate	17.05%	17.86%
As at 31 December 2012		
Growth rate	3%	3%
Discount rate	13.52%	17.25%

Notes to the Financial Statements

For the six months ended 30 June 2013

10. GOODWILL (continued)

For the period ended 30 June 2013, the directors of the company had assessed the recoverable amount of the CGUs that no impairment losses (for the year ended 31 December 2012: HK\$Nil) were recognised as the recoverable amount of the CGUs based on business valuation performed by an independent valuer are in excess of the aggregate carrying amounts of the CGUs. The recoverable amounts of the CGUs are 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 are extrapolated using a 3% (for the year ended 31 December 2012: 3%) growth rate and the growth rate which does not exceed the average long-term growth rate for the industry.

11. INTANGIBLE ASSETS

The director of the Company had assessed the recoverable amount of intangible assets for the period ended 30 June 2013 and 2012 by reference to the valuations which were carried out by an independent valuer. No impairment loss on intangible assets was recognised for the period ended 30 June 2013 and 2012.

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30 June 2013 HK\$'000	As at 31 December 2012 HK\$'000
Equity securities at cost		
Unlisted outside Hong Kong	150,000	169,200
Equity securities at fair value		
Listed outside Hong Kong	117	20
	150,117	169,220
Impairment on unlisted equity securities	(135,000)	(135,000)
	15,117	34,220

During the six months ended 30 June 2013, the Group disposal 6% of the issued share capital of Hero View Limited which carrying amount was approximately HK\$19,200,000, disposed at consideration of HK\$20,000,000. Therefore, a gain of approximately HK\$800,000 was recognised during the period. Detail is set out in the Company's announcement dated 21 May 2013.

Notes to the Financial Statements

For the six months ended 30 June 2013

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

As at 30 June 2013, unlisted equity securities with carrying amount of HK\$15,000,000 (31 December 2012: HK\$34,200,000) were stated at cost less impairment loss rather than at fair value.

The directors of the Company had assessed recoverable amount of unlisted equity securities outside Hong Kong by reference to the business valuation performed by an independent valuer as at 30 June 2013, and no impairment loss was recognised for the period ended 30 June 2013 (for the year ended 31 December 2012: HK\$3,707,000).

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 2013 HK\$'000	As at 31 December 2012 HK\$'000
0–30 days	73,927	196,564
31–60 days	80,584	121,744
61–90 days	34,759	30,728
91–180 days	161	79,020
Over 180 days	1,166,244	772,521
	1,355,675	1,200,577
Impairment loss on trade receivables	(727,383)	(741,600)
	628,292	458,977

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. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Included in deposits, prepayment and other receivables, amounts of approximately HK\$15,511,000 and HK\$16,000,000 were prepayment of commodity trading products and proceed receivable for the disposal of an associate respectively.

Notes to the Financial Statements

For the six months ended 30 June 2013

15. SHARE CAPITAL

	Number of shares		Par value	
	As at 30 June 2013	As at 31 December 2012	As at 30 June 2013 HK\$'000	As at 31 December 2012 HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	9,000,000,000	9,000,000,000	90,000	90,000
	Six months ended 30 June 2013	Year ended 31 December 2012	Six months ended 30 June 2013	Year ended 31 December 2012
Issued and fully paid:				
As at beginning of the period/year	597,576,496	493,223,555	5,976	4,932
Placing of shares (Note)	98,600,000	—	986	—
Conversion of convertible notes	—	104,352,941	—	1,044
As at end of the period/year	696,176,496	597,576,496	6,962	5,976

Note: On 10 June 2013, the Company allotted and issued an aggregate of 98,600,000 shares by way of placing to independent investors at a price of HK\$0.355 (approximately 2.86 pence) per share.

16. INTEREST-BEARING BORROWINGS

	As at 30 June 2013 HK\$'000	As at 31 December 2012 HK\$'000
On demand or repayable:		
Within one year	9,593	4,685
In the second to fifth years	26,421	14,056
Over fifth years	7,607	28,279
Total bank borrowings, secured	43,621	47,020

The bank borrowings bear interest at rates of 5.20% per annum (for the year ended 31 December 2012: 5.20% per annum) for the six months ended 30 June 2013.

The Malaysian Ringgit bank borrowings of approximately HK\$43,621,000 (as at 31 December 2012: HK\$47,020,000) were secured the Group's land and buildings in Malaysia with carrying values of approximately HK\$109,150,000 as at 30 June 2013 (as at 31 December 2012: approximately HK\$113,933,000).

Notes to the Financial Statements

For the six months ended 30 June 2013

17. TRADE PAYABLES

The ageing analysis of the trade payables is as follows:

	As at 30 June 2013 HK\$'000	As at 31 December 2012 HK\$'000
0–30 days	28,252	6,999
31–60 days	194	1,702
61–90 days	57	14
Over 90 days	12,491	12,276
	40,994	20,991

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.

Notes to the Financial Statements

For the six months ended 30 June 2013

18. FINANCIAL INSTRUMENTS**(a) Fair values of financial assets and liabilities measured at amortised costs**

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in condensed consolidated financial statements approximately their fair values.

(b) Financial instruments carried at fair value*Fair value hierarchy*

These fair value measurements are categorized into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the assets or liability.

The table below analyses recurring fair value measurements for financial assets and financial liabilities.

	As at 30 June 2013 Level 1 HK\$'000
Financial assets at fair value through profit or loss:	
Listed equity securities at Hong Kong	5,455
Available-for-sales financial assets:	
Listed equity securities outside Hong Kong	117
	5,572

There were no transfers between Level 1 and 2 and 3 for the period ended 30 June 2013 and for the year ended 31 December 2012.

19. COMMITMENTS

The Group had no capital commitment as at 30 June 2013 and 31 December 2012.

Notes to the Financial Statements

For the six months ended 30 June 2013

20. 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				Post Listing Scheme			
	2013		2012		2013		2012	
	Weighted average exercise price per share	Number of options	Weighted average exercise price per share	Number of options	Weighted average exercise price per share	Number of options	Weighted average exercise price per share	Number of options
As at 1 January	HK\$8.21	1,840,000	HK\$8.21	2,250,000	34.5p	35,000	50.24p	2,835,000
Lapsed	HK\$8.21	(450,000)	HK\$8.21	(250,000)	—	—	51.30p	(2,800,000)
As at 30 June	HK\$8.21	1,390,000	HK\$8.21	2,000,000	34.5p	35,000	34.5p	35,000
Lapsed			HK\$8.21	(160,000)			—	—
As at 31 December			HK\$8.21	1,840,000			34.5p	35,000

The options have contractual option terms ranging from 3 to 10 years. There are 1,425,000 outstanding options (for the year ended 31 December 2012: 1,875,000 options) which no options are exercised for the six months ended 30 June 2013 (for the year ended 31 December 2012: Nil). Weighted average remaining contractual life of options outstanding as at 30 June 2013 is 6.7 years (as at 31 December 2012: 7.20 years).

21. CONTINGENT LIABILITIES

As at 30 June 2013 and 2012, the Group had no significant contingent liabilities.

Notes to the Financial Statements

For the six months ended 30 June 2013

22. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these unaudited condensed consolidated interim 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:

	2013 HK\$'000	2012 HK\$'000
Salaries and bonus	1,005	2,072
Retirement scheme contribution	—	33
	1,005	2,105

23. SUBSEQUENT EVENTS

The Group had no significant events after the end of reporting period.

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 2013.

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

As at 30 June 2013, none of the Directors or chief executives had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO; or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "HKSE") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

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

As at 30 June 2013, the following persons or companies (other than the Directors and chief executives) had interest or short positions in the shares and underlying shares 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	Total number of shares and underlying shares	Approximate percentage of issued share capital (Note 4)
Crossover Global Limited (Note 1)	Beneficial owner	104,352,941	—	104,352,941	14.99%
Chan Chun Fai (Note 1)	Interest of controlled corporation	104,352,941	—	104,352,941	14.99%
Qin Chuhua (Note 1)	Interest of controlled corporation	104,352,941	—	104,352,941	14.99%
Yang Zhijian (Note 1)	Interest of controlled corporation	104,352,941	—	104,352,941	14.99%
Veron International Limited (Note 2)	Beneficial owner	65,662,832	—	65,662,832	9.43%
Kung Nina (Estate of Nina Kung also known as Nina T.H. Wang) (Note 2)	Interest of controlled corporation	65,662,832	—	65,662,832	9.43%
Lam Hok Chung Rainier (Note 2)	Trustee	65,662,832	—	65,662,832	9.43%
Jong Yat Kit (Note 2)	Trustee	65,662,832	—	65,662,832	9.43%
Yu Sai Hung (Note 3)	Trustee	65,662,832	—	65,662,832	9.43%
The Offshore Group Holdings Limited (Note 3)	Beneficial owner	53,515,556	—	53,515,556	7.69%
Chan Chun Chuen (Note 3)	Interest of controlled corporation	53,515,556	—	53,515,556	7.69%
Tam Miu Ching (Note 3)	Spousal interest	53,515,556	—	53,515,556	7.69%

Notes:

1. The entire issued share capital of Crossover Global Limited ("Crossover") is beneficially owned by three individuals, namely Mr. Chan Chun Fai, Mr. Qin Chuhua and Mr. Yang Zhijian at the percentage 45%, 29% and 26% respectively. Therefore, Mr. Chan Chun Fai, Mr. Qin Chuhua and Mr. Yang Zhijian are deemed to be interested in the 104,352,941 underlying shares held by Crossover under the SFO.
2. The entire issued share capital of Veron International Limited is beneficially owned by Ms. Kung Nina. Therefore, Ms. Kung Nina is deemed to be interested in the 65,662,832 shares held by Veron International Limited under the SFO. Mr. Lam Hok Chung Rainier and Mr. Jong Yat Kit solely as Joint and Several Administrators *pendente lite* of Estate of Ms. Nina Kung.
3. The entire issued share capital of The Offshore Group Holdings Limited ("Offshore") is beneficially owned by an individual, Mr. Chan Chun Chuen. Ms. Tam Miu Ching is the wife of Mr. Chan Chun Chuen. Therefore, Mr. Chan Chun Chuen and Ms. Tam Miu Ching are deemed to be interested in the 53,515,556 shares held by The Offshore Group Holdings Limited under the SFO.
4. Represents the approximate percentage of total issued shares as at 30 June 2013.

Save as disclosed above, no person (other than the Directors and chief executives, whose interests are set out in the paragraph headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures") had registered an interest or short position in the shares or underlying shares of the Company as at 30 June 2013 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 “Pre-listing Scheme”) was adopted by the Company on 28 June 2004 and was amended on 7 June 2006. The Pre-listing Scheme had been terminated on 10 February 2009. A post listing share option scheme (the “Post Listing Scheme”) was adopted by the Company on 16 October 2008. Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 28 June 2013, the Post Listing Scheme was terminated and a new share option scheme (the “New Share Option Scheme”) was adopted. Summary of principal terms of the Pre-listing Scheme and Post Listing Scheme were outlined in the Company’s annual report for the year ended 31 December 2012 under the section “Directors’ Report”.

Share Option Scheme

Movements of the share options granted under the Pre-listing Scheme and Post Listing Scheme during the period ended 30 June 2013 are as follows:

	Outstanding at 1 January 2013	Granted during the six months ended 30 June 2013	Exercised during the six months ended 30 June 2013	Lapsed during the six months ended 30 June 2013	Cancelled during the six months ended 30 June 2013	Outstanding at 30 June 2013	Date of grant	Vesting period	Exercisable period	Exercise price
Other employees										
In aggregate	35,000	—	—	—	—	35,000	20.04.2005	3 years	20.04.2008–19.04.2015	34.5p
	940,000	—	—	—	—	940,000	29.04.2010 (Note)	—	29.04.2010–28.03.2017	HK\$8.21
	900,000	—	—	450,000	—	450,000	29.04.2010 (Note)	1 year	29.04.2011–28.04.2020	HK\$8.21
Total	1,875,000	—	—	—	—	1,425,000				

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

Other than as disclosed above, no other share option was granted, cancelled, lapsed or exercised pursuant to the Pre-listing Scheme, Post Listing Scheme and New Share Option Scheme of the Company during the period ended 30 June 2013.

Placings

On 30 May 2013, the Company entered into a placing agreement with Orient Securities Limited (the “Placing Agent I”), pursuant to which the Company conditionally agreed to place, through the Placing Agent I, up to a maximum of 98,600,000 new shares of the Company (the “Placing Shares I”), on a best efforts basis to no fewer than six independent placees at a price of HK\$0.355 per Placing Share I (the “Placing Price I”) (the “Placing I”). The Placing Price I was determined after arm’s length negotiations between the Company and the Placing Agent I taking into account (i) the market sentiment; (ii) the financial results and future prospects of the Company; and (iii) the performance of the shares of the Company and its outlook to the potential investors. The Directors (including the independent non-executive Directors) considered that as a result of the Placing I, the Company could improve liquidity in share trading, broaden its Shareholders’ base and strengthen the Company’s financial position. The Directors (including the independent non-executive Directors) considered that the terms of the Placing I were normal commercial terms and were fair and reasonable, as far as the Company and the shareholders of the Company (the “Shareholders”) are concerned, and the Placing I was in the interests of the Company and the Shareholders as a whole.

The Placing Shares I represented approximately 16.50% of the existing issued share capital of the Company and approximately 14.16% of the issued share capital of the Company as enlarged by the issue of 98,600,000 Placing Shares I. The Placing I was conditional under the Listing Committee of the HKSE granting the listing of, and permission to deal in, the Placing Shares I. The Placing Shares I would be allotted and issued pursuant to the General Mandate and the Placing I was not subject to Shareholders’ approval.

On 10 June 2013, the Company announced that all the conditions of the Placing I have been fulfilled and the completion of the Placing I took place on 10 June 2013. An aggregate of 98,600,000 Placing Shares I, representing approximately 16.50% of the issued share capital of the Company as at 10 June 2013, were been successfully placed to more than six placees at a price of HK\$0.355 (approximately £0.0296) per Placing Share I. The net proceeds from the Placing I amounted to approximately HK\$33,777,895 (approximately £2,813,723) and were applied towards financing the Company’s projects.

CORPORATE GOVERNANCE CODE

The Directors, where practicable for an organisation of the Group’s size and nature, sought to comply with the UK Corporate Governance Code (the “UK Code”). The UK 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 Corporate Governance Code (“CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the HKSE (the “Hong Kong Listing Rules”) as its additional code on corporate governance practices on 2 February 2009. The Company has complied with the CG Code throughout six months ended 30 June 2013, except for the deviation from code provisions A.2.1 and A.5.1 of the CG Code after the period which is explained in the following paragraph.

Under code provision A.5.1 of the CG Code, the nomination committee should be chaired by the chairman of the board or an independent non-executive director. On 19 July 2013, Tan Sri Dato’ Nik Hashim Bin Nik Ab. Rahman has resigned as the chairman of the Board and the chairman of nomination committee of the Company. Therefore, the Company deviates from code provisions A.2.1 and A.5.1 of the CG Code. The Company also endeavour to identify suitable candidates for the position of chairman of the Board to comply with code provision A.2.1 of the CG Code.

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 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 2013.

AUDIT COMMITTEE

During the six months ended 30 June 2013, the audit committee of the Company (the “Audit Committee”) comprised of three members, namely Mr. Kwan King Wah acts as Chairman of the committee with Tan Sri Dato’ Nik Hashim Bin Nik Ab. Rahman (resigned on 19 July 2013), a non-executive Director, and Mr. Pieter Lambert Diaz Wattimena, an independent non-executive Director, act as members. The arrangement of the Audit Committee was compliant with the Rule 3.21 of the Hong Kong Listing Rules. After the resignation of Tan Sri Dato’ Nik Hashim Bin Nik Ab. Rahman as a member of the Audit Committee on 19 July 2013, the Company failed to meet the requirements set out in Rule 3.21 of the Hong Kong Listing Rules. On 28 August 2013, Mr. Zeng Min, an existing independent non-executive Director, was appointed as a member of Audit Committee.

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 2013.

PUBLICATION OF INTERIM REPORT

The interim report will be 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
Li Jinglong
Director

Hong Kong, 29 August 2013

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

Executive Directors:

Li Jinglong

Zhang Ligong

Wang Zhongling

Independent Non-executive Directors:

Pieter Lambert Diaz Wattimena

Kwan King Wah

Zeng Min

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

1H'2013: £1 to HK\$11.80

1H'2012: £1 to HK\$12.24

RCG
RCG Holdings Limited
宏霸數碼集團(控股)有限公司*