

RCG

RCG Holdings Limited

宏霸數碼集團(控股)有限公司*

(Incorporated in Bermuda with limited liability)

HKSE : 802

INTERIM
REPORT 2014

RCG Holdings Limited and its subsidiaries, engaged in business of biometric and RFID products, solutions services, internet and mobile applications 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.

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.



CONTENTS

	Highlights	2
	Chairman's Statement	3
	Management Discussion and Analysis	6
	Condensed Consolidated Statement of Profit or Loss	12
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income		13
	Condensed Consolidated Statement of Financial Position	14
	Condensed Consolidated Statement of Changes in Equity	16
	Condensed Consolidated Statement of Cash Flows	17
	Notes to the Financial Statements	18
	Purchase, Sale or Redemption of the Company's Listed Securities	34
Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures		34
Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares		35
	Share Option Scheme and Post Listing Share Option Scheme	37
	Corporate Governance Code	39

Highlights

FINANCIAL HIGHLIGHTS

- Revenue decreased by 96.5% to HK\$14.8 million (1H 2013: HK\$421.1 million)
- Gross profit increased by 100.1% to HK\$0.3 million (1H 2013: HK\$-228.7 million)
- Gross profit margin was 2.0% (1H 2013: -54.3%)
- Operating loss of HK\$22.3 million (1H 2013: HK\$262.6 million)
- Loss per share of HK\$0.02 per share (1H 2013: Loss per share of HK\$0.43 per share)

OPERATIONAL HIGHLIGHTS

Continued re-examination of the Group's value propositions and focus on the alignment of the Group's businesses to meet the challenges ahead.

On 7 March 2014, the Company announced the following changes:

- (a) Mr. Liu Wen has been appointed as independent non-executive director and chairman of the board of directors (the "Board"), the chairman of the nomination committee of the Company and a member of the audit committee and remuneration committee of the Company.
- (b) Mr. Wang Zhongling has stepped down as acting chairman of the Board but remains as executive director and chief executive officer of the Company.
- (c) Mr. Pieter Lambert Diaz Wattimena has resigned as independent non-executive director of the Company and ceased to be a member of audit committee and remuneration committee of the Company.
- (d) Mr. Kwan King Wah has been appointed as a member of remuneration committee of the Company.
- (e) Mr. Sim Kay Wah, Kenny has been appointed as chief financial officer of the Company.

SINCE PERIOD END

There are no changes since the financial reporting period as at 30 June 2014.

Chairman's Statement

Dear shareholders,

On behalf of the Board, I am pleased to present the Group's interim results for the six months ended 30 June 2014, which consist of reporting on the activities, results and strategies of RCG.

BUSINESS ENVIRONMENT

In the first half of 2014, the major global economic shows considerable weakness in developed countries and encouraging strength in emerging markets, in particular Asia Pacific market. This trend is currently in reversing.

It is seen that growth is picking up momentum in America and Europe Union, while it has declined considerably in most of the major emerging markets. Also it is seen that the inflationary environment in the two groups is vastly different. In the America and Europe Union, inflation is relatively low that there are concerns of potential deflation.

Whilst, central banks have plenty of room to maneuver in maintain positive monetary policies, thereby assisting the economy recovery. However, in emerging markets, inflation is dangerously high which resulted in central banks maintaining tight monetary policies, thereby worsening economic weakness and delaying recovery.

The key contributor in the current economic woes of emerging markets stems from a reversal of capital flows. In recent years, due to very low interest rates in America, capital has flowed to emerging markets, putting upward pressure on local currencies.

Now, with the American monetary policy beginning to change, capital is flowing in the opposite direction, causing downward pressure on currencies. The latter is one reason for the tightening of monetary policy in emerging countries. Against such backdrop, the Group will further continue to re-examine its value propositions and focus on re-aligning its business to meet the challenges ahead.

FINANCIAL AND BUSINESS REVIEW

For the first half of 2014 RCG has recorded a slight improvement registering a gross profit, while in general, recorded a net loss in its financials. The Group has reported total revenue of HK\$14.8 million representing a decrease of 96.5% compared to the same period in 2013.

The Group's strategic direction for all businesses segments are as follows:

(i) Trading of Security and Biometric Products – Diversify into NFC Market

Trading of Security and Biometric Products is the core business of the Group since 1990's. The Group's trading of security and biometric products segment consists of biometrics and RFID products for consumer applications. As the Group recorded a significant decrease in revenue in this segment during 2013, the Group continuously considered different methods to boost its revenue, such as restructuring the business operations and explore new potential markets.

Chairman's Statement

The Group intended to diversify into Near-Field Communication ("NFC") market. NFC is a specialized subset within the family of RFID technology and is designated to be a secure form of data exchange. The Board has recently reached strategic cooperation relationship with a NFC developer and intentionally develop new products and apply the NFC technology into the Group's Security and Biometric Products.

In addition, the Group's sales team of security and biometric products is previously focused on South Asia countries, such as Malaysia and Indonesia. Although it is still in the preliminary stage, if new product is developed, the Group will allocate its resource to the PRC and establish a sales team there in order to capture the high growth opportunities of RFID and NFC products in the PRC.

(ii) Solutions, Projects and Services – Maintain the existing business in the long run

Solution, projects and services segment is a minor business segment of the Group. However, the profit margin of the project integration is relatively high for the Group and also it is co-related to the Group's trading of security and biometric products segment. The development of new technology of security and biometric products segment will create additional synergy to this segment. After the establishment of relationship with the developer as stated above, and developed new products as mentioned previously, the Board expects the Group will obtain new technology and knowledge in order to provide Solutions, Projects and Services to its customers.

On the other hand, the Group also focused on long term projects in this business segment. In addition, with a portfolio of providing security system to an airport transit hotel, it not only enhances the corporate image but also create the competitive advantage to the Group to obtain additional related projects. With this solid experience, in long term, the Group plans to promote and expand its security project services to the hotels located in another airports of Malaysia.

(iii) Internet and Mobile Applications and Related Accessories – Developing new commercial application platform for mobile phone and horizontal expanding the information technology business

The Group commenced the internet and mobile applications and related accessories segment since 2011.

In view of growing internet penetration and the rapid expansion of smartphone market, the Board consider that there will be a growing popularity of mobile marketing together with the surge in demand of various mobile applications.

The Board believed a business growth by acquisition is the faster way to increase market penetration and therefore acquired Most Ideas Limited ("Most Ideas Group"), a group of companies that offers mobile marketing solutions for various mobile phone platforms, during 2012. Furthermore, the Group acquired another group of mobile application developers ("Easy Ideas Group") during the first half of 2014. Easy Ideas Group was already entered into contacts with its customers that will provide approximately 30 mobile applications to them during 2014. After the completion of the acquisition of Easy Ideas Group, the Group intends to consolidate the resource and technology of Most Ideas Group and Easy Ideas Group to further expand the commercial application platform business of mobile e-commerce and interactive media based on WeChat and Alipay.

It is the corporate strategy of the Group to strengthen its existing businesses while concurrently identifying and capitalizing new opportunities to achieve financial growth for the Group and to maximize shareholders' value.

Chairman's Statement

Having years of experience in information technology market, the Group intends to further step into this rapid growing market. The Group already identify a Hong Kong based company ("B2C Company") which specialized in e-Commerce (B2C Business) and Trade & e-Trade (B2B).

Although the Group is still in the process of negotiating with the B2C Company on the structure and terms of the cooperation, the Group intends to partner with the B2C Company to develop and manage the B2B platform that provides a market place for manufacturers and dealers, and the B2C platform so as to reach and directly deal with end customers.

(iv) Commodities Trading – Downsizing and allocating resources to other business segment

The Group commenced the business of commodities trading on trial run basis since 2012. The Group's commodity trading activities revolve around the trading of general commodities like metal, ores, silks and so on.

As commodities trading requires low value-added services, the Group considered it limits the Group's ability to charge a high premium on top of the purchase cost of the commodities and continuously caused a low profit margin in that segment.

In addition, the business of commodities trading required the Group reserved a relatively high financial resource for its daily operation. More cash resources are expected to be required if the Group further expand the business segment and the Group may then need to raise additional funds to finance the expansion.

After considering the contributions to the Group, the growth potential and its future prospect, the Group maintained a conservative, "wait and see" position during the second half of 2014. The Group will further downsized the business of commodities trading and allocate its resources to other business segment.

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.

Liu Wen

Chairman

28 August 2014

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2014, the Group recorded turnover of HK\$14.8 million, representing a decrease of 96.5% compared to the same period in 2013. The decrease in turnover was attributable to strategic delay in projects implementations and the winding down in commodities trading, whilst diversifying into NFC market.

Gross margin improved approximately 2.0% for the six months ended 30 June 2014, compared to -54.3% for the same period in 2013 due to a number of factors, in particular the successful implementation of cost control exercises. The Group reported a net loss of HK\$20.6 million for the six months ended 30 June 2014.

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 Related Accessories" and "Commodities Trading".

The Group continues to believe that the "Internet and Mobile Applications 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. The Group will wind down the business of commodities trading and allocate its resources to other business segments.

Business Segment	Six months ended 30 June				HK\$ y-o-y growth %
	2014 (unaudited)		2013 (unaudited)		
	HK\$ m	%	HK\$ m	%	
Trading of Security and Biometric Products	0.1	0.7	151.8	36.0	-99.9
Solutions, Projects and Services	—	—	0.4	0.1	-100.0
Internet and Mobile Applications and Related Accessories	14.7	99.3	27.7	6.6	-46.9
Commodities Trading	—	—	241.2	57.3	-100.0
Total Revenue	14.8	100.0	421.1	100.0	-96.5

MANAGEMENT DISCUSSION AND ANALYSIS

The key contributor to the Group's turnover as at 30 June 2014 was the Internet and Mobile Applications and Related Accessories segment which contributed 99.3% of total turnover. Following that, revenue from the Trading of Security and Biometric Products segment in the six months ended 30 June 2014 was HK\$0.1 million. This segment experienced a 99.9% decrease compared to HK\$151.8 million in the same period in 2013 due to, the slow process of diversification into NFC market while maintaining cautious in general trading and sales.

The Solutions, Projects and Services business segment has no revenue contribution in this period, compared to HK\$0.4 million in the six months ended 30 June 2013. The non-contribution was attributable to the cautious steps taken to strategically delayed projects implementation with expectation of delay in collections due to the uncertain market conditions in areas of its operations.

Geographical performance

In the first half of 2014, the Group continued to focus its business in the Asia Pacific region. The Group continued to work with partners and distributors 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 %
	2014 (unaudited)		2013 (unaudited)		
	HK\$ m	%	HK\$ m	%	
Asia Pacific	14.8	100.0	420.5	99.9	-96.4
Middle East	—	—	0.6	0.1	-100.0
Total Revenue	14.8	100.0	421.1	100.0	-96.5

Asia Pacific region had a decrease in revenue from HK\$420.5 million in six months ended 30 June 2013 to HK\$14.8 million in six months ended 30 June 2014. The majority of the revenue in Asia Pacific region was derived from Internet and Mobile Applications and Related Accessories segment, which accounted for 99.9% of revenue reported.

Middle East region has no contribution compared to HK\$0.6 million in six months ended 30 June 2013 against the civil and economic unrest in the Middle East region, which the Group had practise extreme caution in sales control.

Acquisition

On 13 March 2014, the Board announced that, Bio Tag International Limited, a wholly-owned subsidiary of the Company (the "Purchaser") and Wealthy Zone Limited, a company incorporated in the British Virgin Islands with limited liabilities (the "Vendor") entered into the sale and purchase agreement, pursuant to which, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell, the 37,000 ordinary shares of US\$1.00 each in Easy Ideas Limited, a company incorporated in the British Virgin Islands with limited liabilities (the "Target"), representing 74% of the issued share capital of the Target for a total consideration of HK\$69,560,000 (approximately £5.4 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Disposal

On 15 April 2014, the Board announced that, the RCG Land Sdn. Bhd. (the “Vendor 2”), an indirect wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with Pertubuhan Peladang Kebangsaan (National Farmers Organisation) (the “Purchaser 2”), an independent third party, pursuant to which, the Vendor 2 has conditionally agreed to sell and the Purchaser 2 has conditionally agreed to purchase an industrial premises comprising a three storey detached factory building with an annexed three storey office building and a guard house with total build-up area of 204,067 square feet erected on that piece of land having an area of 1.3581 hectares (the “Property”) at a total consideration of RM59.80 million (approximately HK\$142.72 million).

A circular containing, further details of the disposal of the Property (the “Disposal”) and a notice convening a special general meeting of the Company for the purpose of seeking shareholders’ approval of the Disposal (the “Circular”), was expected to be dispatched to the shareholders of the Company (the “Shareholder(s)”) on or before 30 September 2014.

FINANCIAL REVIEW

Turnover

For the six months ended 30 June 2014, the Group reported total revenue of HK\$14.8 million representing a decrease of 96.5% compared to HK\$421.1 million in the same period in 2013. The decrease is due to strategic delay in projects implementations and the winding down in commodation trading, whilst the slow process of diversifying into NFC market coupled with cautious sales control implemented.

Cost of sales

Cost of sales decreased 97.8% from HK\$649.9 million in the six months ended 30 June 2013 to HK\$14.5 million in the same period in 2014. In terms of percentage of sales, the cost of sales decreased from 154.3% in the six months ended 30 June 2013 to 98.0% in the six months ended 30 June 2014.

Gross profit/(loss) and gross profit margin

Gross profit in the first half of 2014 was HK\$0.3 million, as compared to gross loss of HK\$228.7 million in the same period of 2013 resulting from effective cost control measures implemented.

Other revenue and gains

Other revenue and gains decreased from HK\$6.8 million during the first half of 2013 to HK\$0.7 million in the same period of 2014.

Administrative expenses

Administrative expenses decreased by 45.8% from HK\$31.2 million in the first half of 2013 to HK\$16.9 million in the same period in 2014 mainly attributable to lower related administrative expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and distribution costs

Selling and distribution costs decreased by 33.3% from HK\$1.2 million in the six months ended 30 June 2013 to HK\$0.8 million in the same period in 2014 due to implementation of various cost control measures.

Finance costs

Finance costs decreased by 10.0% from HK\$2.0 million in the six months ended 30 June 2013 to HK\$1.8 million in the same period in 2014.

Loss before taxation

Loss before taxation increased by 91.5% to HK\$22.3 million for the six months ended 30 June 2014, compared to a loss before taxation of HK\$262.6 million in the same period in 2013. The loss before taxation in the first half year in 2014 was attributable to lower margin.

Income tax credit

Income tax credit decreased by 41.4% from HK\$2.9 million in first half of 2013 to a HK\$1.7 million in same period in 2014.

Loss for the period

The Group's loss for the period was HK\$20.6 million compared to loss of HK\$259.8 million in the same period in 2013.

Loss attributable to owners of the Company

Loss attributable to owners of the Company decreased from a loss of HK\$257.8 million in the first half of 2013 to a loss of HK\$16.6 million in the same period of 2014.

Loss attributable to the non-controlling interests

The loss attributable to the non-controlling interests of HK\$4.0 million for six month ended 30 June 2014 (in the same period in 2013 the profit attributable to the minority interest was HK\$2.0 million).

REVIEW OF THE GROUP'S FINANCIAL POSITION AS AT 30 JUNE 2014

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 2014 (compared to HK\$Nil in the first half of 2013).

MANAGEMENT DISCUSSION AND ANALYSIS

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 2014, the Group had a term loan facility amounting to HK\$35.6 million secured by the pledging of a Malaysian property.

Save as disclosed above, there were no other charges on assets as at 30 June 2014.

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

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Total bank borrowings, secured, repayable within one year	9,494	9,661
Total bank borrowings, secured, repayable more than one year	26,148	34,042
Total	35,642	43,703

The Group had cash and cash equivalents of HK\$107.6 million as of 30 June 2014 compared to HK\$78.4 million as of 30 June 2013.

Gearing ratio

As at 30 June 2014, the Group's gearing ratio was approximately 0.130x, as compared to 0.047x as at 30 June 2013. The gearing ratio was calculated as the Group's total debt divided by its total capital. Debt of HK\$35.6 million is calculated as total borrowings (including short-term bank loans amounting HK\$9.4 million, current portion of financing obligations amounting HK\$0.1 million and long-term bank loans amounting HK\$26.1 million). Total capital is calculated as total shareholder equity of HK\$273.6 million plus debt.

Contingent Liabilities

As at 30 June 2014 and 2013, the Group had no contingent liabilities. The Company acted as a guarantor of its subsidiaries to secure interest-bearing borrowings, which amounting to approximately HK\$35.6 million (2013: HK\$43.7 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 2014. The financial guarantee contract was eliminated on consolidation.

Deposits, prepayments and other receivable

As at 30 June 2014, the Group's deposits, prepayments and other receivable was HK\$71.0 million, as compared to HK\$37.3 million as at 30 June 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2014, in addition to the directors of the Company (the "Directors"), there were approximately 41 employees (31 December 2013: 41) of the Group stationed in the Group's offices in Hong Kong, Beijing and Kuala Lumpur. Total staff costs for the six months ended 30 June 2014 were HK\$2.9 million, compared with HK\$4.8 million in first half 2013. 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 OUTLOOK

The Group had continued the efforts to consolidate and realign its businesses to enabled the Group to achieve improvements in its financial position. The Group will continue to work towards, attaining a stable platform for sustainability and basis for continuous growth. During the forthcoming months, the Group will exercise caution in its business dealings, against the uncertain economy backdrop.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

	Notes	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Turnover	3	14,791	421,133
Cost of sales		(14,493)	(649,863)
Gross profit/(loss)		298	(228,730)
Other revenue and gains	4	736	6,808
Loss on disposals of investments properties		—	(7,564)
Loss arising on change in fair value of investment properties		—	(490)
Change on fair value of financial assets at fair value through profit or loss		(3,965)	1,723
Selling and distribution costs		(755)	(1,190)
Administrative expenses		(16,893)	(31,213)
Loss from operations		(20,579)	(260,656)
Finance costs		(1,769)	(1,981)
Share of result of an associate		—	3
Loss before taxation	5	(22,348)	(262,634)
Taxation	6	1,736	2,857
Loss for the period		(20,612)	(259,777)
Attributable to:			
Owners of the Company		(16,554)	(257,753)
Non-controlling interests		(4,058)	(2,024)
		(20,612)	(259,777)
Loss per share attributable to the owners of the Company			
— Basic (HK cents)	7	(1.9)	(43.1)
— Diluted (HK cents)		(1.9)	(43.1)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Loss for the period	(20,612)	(259,777)
Other comprehensive (loss)/income for the period, net of tax:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Available-for-sale financial assets:		
Change in fair value	(305)	97
Exchange differences on translating foreign operations		
Exchange differences arising during the period	587	(5,221)
	282	(5,124)
Total comprehensive loss for the period	(20,330)	(264,901)
Attributable to:		
Owners of the Company	(16,272)	(262,877)
Non-controlling interests	(4,058)	(2,024)
	(20,330)	(264,901)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	9	1,942	106,251
Prepaid lease payments		—	17,736
Goodwill		39,717	39,717
Intangible assets	10	58,800	68,600
Available-for-sale financial assets	11	101	406
		100,560	232,710
Current assets			
Prepaid lease payments		—	194
Inventories		—	—
Financial assets at fair value through profit and loss		6,704	15,606
Trade receivables	12	8,990	14,826
Deposits, prepayments and other receivables	13	71,039	54,031
Cash at bank and on hand		107,743	74,343
		194,476	159,000
Assets classified as held for sale	14	124,398	—
		318,874	159,000
Total assets		419,434	391,710
CAPITAL AND RESERVES			
Share capital	15	10,025	8,354
Reserves		263,618	237,568
Equity attributable to owners of the Company		273,643	245,922
Non-controlling interests		28,087	32,145
Total equity		301,730	278,067

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Interest-bearing borrowings	16	26,148	30,289
Deferred tax liabilities		10,274	12,013
		36,422	42,302
Current liabilities			
Trade payables	17	13,716	16,054
Accruals and other payables		57,006	45,259
Tax payable		1,066	763
Interest-bearing borrowings	16	9,475	9,240
Obligations under finance leases		19	25
		81,282	71,341
Total liabilities		117,704	113,643
Total equity and liabilities		419,434	391,710
Net current assets		237,592	87,659
Total assets less current liabilities		338,152	320,369

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to the owners of the Company										
	Share capital	Share premium	Available-for-sale securities revaluation reserve	Employee share-based compensation reserve	Capital reserve	Translation 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
As at 1 January 2013, audited	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/(loss) 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, unaudited	6,962	2,171,719	(39,195)	6,693	(872)	(18,648)	48	(1,236,042)	890,665	36,620	927,285
As at 1 January 2014, audited	8,354	2,202,868	(38,906)	5,070	(872)	(18,349)	48	(1,912,291)	245,922	32,145	278,067
Total comprehensive (loss)/income for the period	–	–	(305)	–	–	587	–	(16,554)	(16,272)	(4,058)	(20,330)
Placing of shares	1,671	43,441	–	–	–	–	–	–	45,112	–	45,112
Share issuing expenses	–	(1,119)	–	–	–	–	–	–	(1,119)	–	(1,119)
Lapse of share options	–	–	–	(371)	–	–	–	371	–	–	–
As at 30 June 2014, unaudited	10,025	2,245,190	(39,211)	4,699	(872)	(17,762)	48	(1,928,474)	273,643	28,087	301,730

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Net cash generated from/(used in) operating activities	2,307	(27,470)
Net cash (used in)/generated from investing activities	(4,623)	53,592
Net cash generated from financing activities	37,428	29,804
Net increase in cash and cash equivalents for the period	35,112	55,926
Cash and cash equivalents at the beginning of the period	74,171	28,205
Effect of foreign exchange rate changes	(1,712)	(5,695)
Cash and cash equivalents at the end of the period	107,571	78,436
Analysis of the balances of cash and cash equivalents		
Cash at bank and on hand	107,743	78,608
Fixed deposits	(172)	(172)
Cash and cash equivalents at the end of period	107,571	78,436

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. BASIS OF PREPARATION

(a) Statement of compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (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 2013.

These unaudited condensed consolidated 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 unaudited condensed consolidated interim 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 2013.

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 2013.

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 2014

3. TURNOVER AND SEGMENT INFORMATION

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

The key management considers the business from both a business and geographic perspective. From a business perspective, key management assesses the performance of Trading of Security & Biometric Products, Solutions, Projects and Services, Internet and Mobile Applications and 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 and Mobile Applications and Related Accessories segment* are 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 good.

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 2014

3. TURNOVER AND 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 2014 and 30 June 2013 and segment assets and segment liabilities as at 30 June 2014 and 31 December 2013:

	Trading of Security & Biometric Products		Solutions, Projects and Services		Internet and Mobile Applications and Related Accessories		Commodities Trading		Unallocated		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	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	73	151,772	–	454	14,718	27,651	–	241,256	–	–	14,791	421,133
Segment results	(61)	(234,364)	–	414	359	4,681	–	539	–	–	298	(228,730)
Other operating income									736	6,808	736	6,808
Loss on disposal of investment properties									–	(7,564)	–	(7,564)
Loss arising on changes in fair value of investments properties									–	(490)	–	(490)
Depreciation	(241)	(5,899)	–	–	(37)	(200)	–	–	(620)	(1,261)	(898)	(7,360)
Amortisation of prepaid lease payments	–	–	–	–	–	–	–	–	(48)	(103)	(48)	(103)
Amortisation of intangible assets	–	–	–	–	(9,800)	(9,800)	–	–	–	–	(9,800)	(9,800)
Change on fair value of financial assets at fair value through profit or loss									(3,965)	1,723	(3,965)	1,723
Unallocated expenses									(6,902)	(15,137)	(6,902)	(15,137)
Finance costs									(1,769)	(1,981)	(1,769)	(1,981)
Loss before taxation									(12,568)	(18,005)	(22,348)	(262,634)
Income tax credit									1,736	2,857	1,736	2,857
Loss for the period									(10,832)	(15,148)	(20,612)	(259,777)
Segment assets	46	78	–	–	107,461	123,064	–	–	311,927	268,568	419,434	391,710
Segment liabilities	11,978	12,093	–	–	1,704	3,927	–	–	104,022	97,623	117,704	113,643
Other segment information:												
Depreciation	(241)	(5,899)	–	–	(37)	(200)	–	–	(620)	(1,261)	(898)	(7,360)
Amortisation of prepaid lease payments	–	–	–	–	–	–	–	–	(48)	(103)	(48)	(103)
Amortisation of intangible assets	–	–	–	–	(9,800)	(9,800)	–	–	–	–	(9,800)	(9,800)
Change on fair value of financial assets at fair value through profit or loss	–	–	–	–	–	–	–	–	(3,965)	1,723	(3,965)	1,723

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2014

3. TURNOVER AND SEGMENT INFORMATION (continued)

Revenue from major products and services

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

	Turnover For the six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Trading of Security & Biometric Products		
Consumer products	73	599
Enterprise products	—	151,173
Solutions, Projects and Services		
RFID solutions	—	454
Internet and Mobile Applications and Related Accessories	14,718	27,651
Commodities Trading	—	241,256
	14,791	421,133

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	
	2014 HK\$'000	2013 HK\$'000
Asia Pacific	14,791	420,540
Middle East	—	593
	14,791	421,133

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2014

4. OTHER REVENUE AND GAINS

	For the six months ended	
	2014	2013
	HK\$'000	HK\$'000
Other revenue		
Bank interest income	2	77
Rental income	300	1,432
Sundry income	127	2,018
	429	3,527
Other gains		
Gain on disposal of property, plant and equipment	17	1,714
Gain on disposal of an associate	—	84
Gain on disposal of available-for-sale financial assets	—	800
Reversal of impairment loss of trade receivable	124	343
Foreign exchange gain	166	340
	307	3,281
	736	6,808

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2014

5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	For the six months ended	
	2014	2013
	HK\$'000	HK\$'000
Finance costs		
Bank charges	41	77
Interests on interest-bearing borrowings and bank overdrafts wholly repayable within five years	1,728	1,904
	1,769	1,981
Other items		
Cost of inventories sold	11,963	644,864
Depreciation	898	7,360
Amortisation of prepaid lease payments	48	103
Amortisation of intangible assets	9,800	9,800

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2014

6. TAXATION

	For the six months ended	
	30 June	
	2014	2013
	HK\$'000	HK\$'000
Current tax expenses in respect of the current year — PRC	(119)	85
Deferred tax liabilities	(1,617)	(2,942)
	(1,736)	(2,857)

Hong Kong Profits Tax is calculated at 16.5% (2013: 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.

Malaysian Income Tax is calculated at the statutory tax rate of 25% (2013: 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% (2013: 20%) for the period and the amount of chargeable income exceeding Malaysian Ringgit 500,000 is charged at the rate of 25% (2013: 25%) for the period.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for the period (2013: 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 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2014

7. EARNING 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	
	2014 HK\$'000	2013 HK\$'000
Loss for the purpose of basic and diluted loss per share		
Loss for the period attributable to owners of the Company	(16,554)	(257,753)

Number of shares

	For the six months ended 30 June	
	2014	2013
Weight average number of ordinary shares for the purpose of basic loss per share		
Effect of dilutive potential ordinary shares		
Share option scheme	—	—
Weight average number of ordinary shares for the purpose of dilutive loss per share		
	881,561,192	597,576,496

For the period ended 30 June 2014 and 2013 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 2014

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 2014 (2013: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group did not acquired any property, plant and equipment (for the year ended 31 December 2013: approximately HK\$23,000). Items of property, plant and equipment with a carrying amount of approximately HK\$Nil were disposed during the six months ended 30 June 2014 (for year ended 31 December 2013: approximately HK\$275,000), resulting in a gain on disposal of property, plant and equipment approximately HK\$17,000 (for year ended 31 December 2013: a gain on disposal of property, plant and equipment of approximately HK\$1,714,000).

10. INTANGIBLE ASSETS

The director of the Company had assessed the recoverable amount of intangible assets for the six months ended 30 June 2014 and 2013 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 2014 and 2013.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30 June 2014 HK\$'000	As at 31 December 2013 HK\$'000
Equity securities at fair value Listed outside Hong Kong	101	406

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

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2014

12. TRADE RECEIVABLES

The ageing analysis of the trade receivables net of provision for impairment loss is as follows:

	As at 30 June 2014 HK\$'000	As at 31 December 2013 HK\$'000
0–30 days	2,162	4,493
31–60 days	1,190	3,472
61–90 days	694	1,769
91–180 days	199	729
Over 180 days	4,745	4,363
	8,990	14,826

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.

As at 30 June 2014, the Group has provision for impairment loss on trade receivables of approximately HK\$1,300,527,000 (as at 31 December 2013: approximately HK\$1,292,857,000).

13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Included in deposits, prepayment and other receivables, amounts of approximately HK\$23,852,000 were refundable deposit paid to stock dealer of the Group, amounts of approximately HK\$9,560,000 were prepayment for acquisition of subsidiaries. For prepayment of acquisition of subsidiaries, please refer to announcements dated 13 March 2014 and 17 March 2014. Up to the date of this report, the acquisition of subsidiaries still not complete.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2014

14. ASSETS CLASSIFIED AS HELD FOR SALE

	As at 30 June 2014 HK\$'000	As at 31 December 2013 HK\$'000
Building	106,062	—
Prepaid lease payments	18,336	—
	124,398	—

Notes:

On 15 April 2014, the Group has conditionally agreed to sell the building and prepaid lease payments at Malaysia at a total consideration of approximately HK\$144.72 million (RM59.80 million). Up to the date of this report, the transaction still not complete. For detail, please refer to announcements dated 15 April 2014, 12 May 2014, 30 June 2014 and 31 July 2014.

15. SHARE CAPITAL

	Number of shares		Par value	
	As at 30 June 2014	As at 31 December 2013	As at 30 June 2014 HK\$'000	As at 31 December 2013 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 2014	Year ended 31 December 2013	Six months ended 30 June 2014 HK\$'000	Year ended 31 December 2013 HK\$'000
Issued and fully paid:				
As at beginning of the period/year	835,406,496	597,576,496	8,354	5,976
Placing of shares (Note i, ii & iii)	167,080,000	237,830,000	1,671	2,378
As at end of the period/year	1,002,486,496	835,406,496	10,025	8,354

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2014

15. SHARE CAPITAL (continued)

The following movements in the Company's authorized and issued share capital took place during the period from 1 January 2013 to 30 June 2014:

- (i) On 12 May 2014, the Company allotted and issued an aggregate of 167,080,000 shares by way of placing to independent investors at a price of HK\$0.27 per share.
- (ii) 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 per share.
- (iii) On 26 September 2013, the Company allotted and issued an aggregate of 139,230,000 shares by way of placing to independent investors at a price of HK\$0.25 per share.

16. INTEREST-BEARING BORROWINGS

	As at 30 June 2014 HK\$'000	As at 31 December 2013 HK\$'000
On demand or repayable:		
Within one year	9,475	9,240
In the second to fifth years	23,800	23,600
Over fifth years	2,348	6,689
Total bank borrowings, secured	35,623	39,529

The bank borrowings bear interest at rates of 5.20% per annum (for the year ended 31 December 2013: 5.20% per annum) for the six months ended 30 June 2014.

The Malaysian Ringgit bank borrowings of approximately HK\$35,623,000 (as at 31 December 2013: HK\$39,529,000) were secured the Group's land and buildings in Malaysia (classified as assets held for sale during six months ended 30 June 2014) with carrying values of approximately HK\$124,398,000 as at 30 June 2014 (as at 31 December 2013: approximately HK\$121,931,000).

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2014

17. TRADE PAYABLES

The ageing analysis of the trade payables is as follows:

	As at 30 June 2014 HK\$'000	As at 31 December 2013 HK\$'000
0–30 days	15	118
31–60 days	1,647	3,869
61–90 days	—	—
Over 90 days	12,054	12,067
	13,716	16,054

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2014

18. FINANCIAL INSTRUMENTS (continued)

(b) Financial instruments carried at fair value (continued)

Fair value hierarchy (continued)

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

	As at 30 June 2014 Level 1 HK\$'000	As at 31 December 2013 Level 1 HK\$'000
Financial assets at fair value through profit or loss:		
Listed equity securities at Hong Kong	6,704	15,606
Available-for-sales financial assets:		
Listed equity securities outside Hong Kong	101	406
	6,805	16,012

There were no transfers between Level 1 and 2 and 3 for the period ended 30 June 2014 and for the year ended 31 December 2013.

19. COMMITMENTS

The Group had no capital commitment as at 30 June 2014 and 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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				Share Option Scheme			
	2014		2013		2014		2013	
	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	1,060,000	HK\$8.21	1,840,000	—	—	34.5p	35,000
Lapsed	HK\$8.21	(80,000)	HK\$8.21	(450,000)	—	—	—	—
As at 30 June	HK\$8.21	980,000	HK\$8.21	1,390,000	—	—	34.5p	35,000
Lapsed			HK\$8.21	(330,000)			34.5p	(35,000)
As at 31 December			HK\$8.21	1,060,000			—	—

The options have contractual option terms ranging from 3 to 10 years. There are 980,000 outstanding options (for the year ended 31 December 2013: 1,060,000 options) which no options are exercised for the six months ended 30 June 2014 (for the year ended 31 December 2013: Nil). Weighted average remaining contractual life of options outstanding as at 30 June 2014 is 5.8 years (as at 31 December 2013: 6.30 years).

21. CONTINGENT LIABILITIES

As at 30 June 2014 and 31 December 2013, the Group had no significant contingent liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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:

	For the six months ended	
	30 June	
	2014	2013
	HK\$'000	HK\$'000
Salaries and bonus	588	1,005
Retirement scheme contribution	—	—
	588	1,005

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

On 12 May 2014, an aggregate of 167,080,000 placing shares have been successfully placed by the placing agent, Tanrich Securities Company Limited to more than six placees at a price of HK\$0.27 per placing share, raising gross proceeds of HK\$45,111,950.73.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2014.

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

As at 30 June 2014, 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 (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO; or as otherwise notified to the Company and The 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 2014, 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	10.40%
Chan Chun Fai (Note 1)	Interest of controlled corporation	104,352,941	—	104,352,941	10.40%
Qin Chuhua (Note 1)	Interest of controlled corporation	104,352,941	—	104,352,941	10.40%
Yang Zhijian (Note 1)	Interest of controlled corporation	104,352,941	—	104,352,941	10.40%
Veron International Limited (Note 2)	Beneficial owner	65,662,832	—	65,662,832	6.55%
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	6.55%
Lam Hok Chung Rainier (Note 2)	Trustee	65,662,832	—	65,662,832	6.55%
Jong Yat Kit (Note 2)	Trustee	65,662,832	—	65,662,832	6.55%
Yu Sai Hung (Note 2)	Trustee	65,662,832	—	65,662,832	6.55%
The Offshore Group Holdings Limited (Note 3)	Beneficial owner	53,515,556	—	53,515,556	5.33%
Chan Chun Chuen (Note 3)	Interest of controlled corporation	53,515,556	—	53,515,556	5.33%
Tam Miu Ching (Note 3)	Spousal interest	53,515,556	—	53,515,556	5.33%

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 2014.

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 2014 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, Post Listing Scheme and New Share Option Scheme were outlined in the Company’s annual report for the year ended 31 December 2013 under the section “Directors’ Report”.

Share Option Scheme

Movements of the share options granted under the Post Listing Scheme during the period ended 30 June 2014 are as follows:

	Outstanding at 1 January 2014	Granted during the six months ended 30 June 2014	Exercised during the six months ended 30 June 2014	Lapsed during the six months ended 30 June 2014	Cancelled during the six months ended 30 June 2014	Outstanding at 30 June 2014	Date of grant	Vesting period	Exercisable period	Exercise price
Other employees										
In aggregate	940,000	—	—	—	—	940,000	29.04.2010	—	29.04.2010–28.03.2017	HK\$8.21
	120,000	—	—	80,000	—	40,000	29.04.2010	1 year	29.04.2011–28.04.2020	HK\$8.21
Total	1,060,000	—	—	80,000	—	980,000				

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 2014.

Placing

On 28 April 2014, the Company entered into the placing agreement with Tanrich Securities Company Limited (the “Placing Agent”), pursuant to which the Company has conditionally agreed to place, through the Placing Agent, up to a maximum of 167,081,299 new shares of the Company (the “Placing Share(s)”), on a best effort basis to not fewer than six independent placees at a price of HK\$0.27 per Placing Share (the “Placing Price”) (the “Placing”). The Placing Price was determined after arm’s length negotiations between the Company and the Placing Agent 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 (the “Share(s)”) and its outlook to the potential investors. The Directors (including the independent non-executive Directors) consider that as a result of the Placing, the Company can improve liquidity in Share trading, broaden its Shareholders’ base and strengthen the Company’s financial position. The Directors (including the independent non-executive Directors) consider that the terms of the Placing are normal commercial terms and are fair and reasonable, as far as the Company and the Shareholders are concerned, and the Placing is in the interests of the Company and the Shareholders as a whole.

The Placing Shares represent approximately 20.00% of the existing issued share capital of the Company and approximately 16.67% of the issued share capital of the Company as enlarged by the issue of 167,081,299 Placing Shares. The Placing is conditional under the Listing Committee of the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the Placing Shares. The Placing Shares will be allotted and issued pursuant to the general mandate granted by the Shareholders to the Directors at the special general meeting of the Company held on 17 January 2014 to allot, issue and deal with up to 20 per cent of the aggregate nominal value of the Shares in issue and the Placing is not subject to Shareholders’ approval.

On 12 May 2014, the Board announced that the Placing was completed. An aggregate of 167,080,000 Placing Shares have been successfully placed to more than six placees at a price of HK\$0.27 per Placing Share, raising gross proceeds of HK\$45,111,950.73.

Cancellation of Admission of the Company’s Shares to Trading on AIM

On 3 June 2014, the Board announced that the Company intended to seek the approval from the Shareholders at the annual general meeting of the Company held on 27 June 2014 for a special resolution to cancel the admission of the ordinary shares of HK\$0.01 each in the capital of the Company to trading on AIM, a market operated by London Stock Exchange plc, (the “Cancellation”) and that the Company’s directors and officers, or persons authorised by the directors of the Company, be authorised and directed to execute all documents and take all necessary actions in connection with the Cancellation.

On 27 June 2014, the Board announced that the above special resolution was duly passed.

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 (the "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 2014, except for the deviation from code provisions A.2.1 and A.5.1 of the CG Code before 7 March 2014 which is explained in the following paragraphs.

Under code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer (the "CEO") should be separated and should not be performed by the same individual. Under code provision A.5.1 of the CG Code, the nomination committee should be chaired by the chairman of the board or an independent non-executive director.

On 19 July 2013, Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman resigned as the chairman of the Board and the chairman of nomination committee of the Company. Therefore, the Company deviated from code provisions A.2.1 and A.5.1 of the CG Code. On 1 November 2013, Mr. Wang Zhongling, an existing executive Director, was appointed as the acting chairman and acting chief executive officer of the Board. The Company has been complying with code provisions A.2.1 and A.5.1 of the CG Code since 7 March 2014 on which Mr. Wang Zhongling stepped down as acting chairman of the Board and Mr. Liu Wen was appointed as chairman of the Board and chairman of the nomination committee of the Company.

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 2014.

AUDIT COMMITTEE

As at 30 June 2014, the audit committee of the Company (the “Audit Committee”) comprised of three members, namely Mr. Kwan King Wah as chairman with Mr. Liu Wen and Mr. Zeng Min, both independent non-executive Directors as members. The arrangement of the Audit Committee was 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 six months ended 30 June 2014.

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 HKSE’s website (www.hkex.com.hk).

By Order of the Board of
RCG Holdings Limited
Li Jinglong
Executive Director

Hong Kong, 28 August 2014

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:

Liu Wen
Kwan King Wah
Zeng Min

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