

# RCG

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

(Incorporated in Bermuda with limited liability)  
HKSE: 802

## 2016 INTERIM REPORT

\* For identification only

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.



# CONTENTS

2	Highlights
3	Chairman's Statement
5	Management Discussion and Analysis
11	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
15	Condensed Consolidated Statement of Changes in Equity
16	Condensed Consolidated Statement of Cash Flows
17	Notes to the Financial Statements
33	Purchase, Sale or Redemption of the Company's Listed Securities
33	Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures
33	Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares
34	Share Option Scheme and Post Listing Share Option Scheme
35	Corporate Governance Code

## HIGHLIGHTS

RCG Holdings Limited (the “Company”) and its subsidiaries (collectively “RCG” or the “Group”), engage in businesses of biometric and RFID products, solution services, internet and mobile’s application and related accessories and commodities trading, today announces the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2016.

### FINANCIAL HIGHLIGHTS

- Revenue decreased by 15.0% to HK\$20.2 million (1H 2015: HK\$23.8 million)
- Gross profit decreased by 6.1% to HK\$2.2 million (1H 2015: HK\$2.4 million)
- Gross profit margin was 11.0% (1H 2015: 9.9%)
- Operating loss of HK\$83.0 million (1H 2015: profit of HK\$335.3 million)
- Loss per share of HK4.73 cents per share (1H 2015: earnings per share of HK28.3 cents per share)

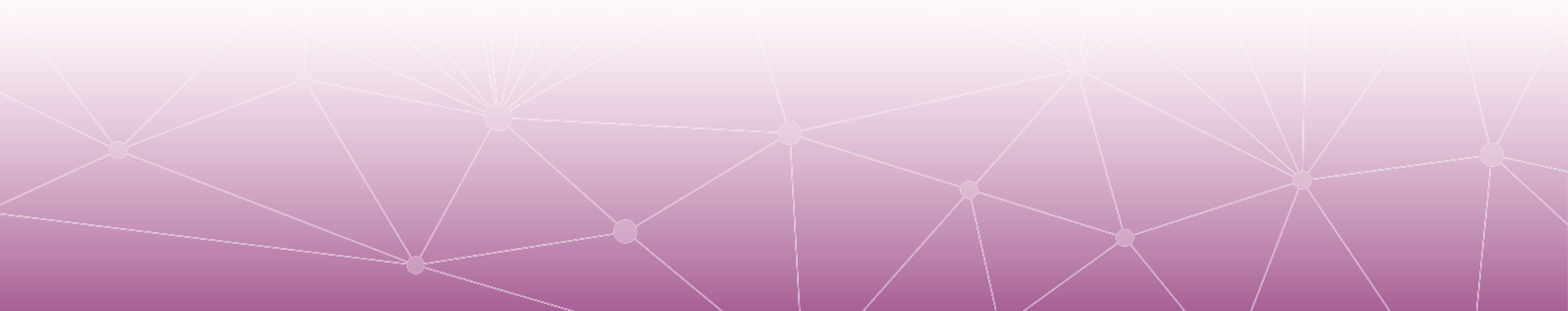
### OPERATIONAL HIGHLIGHTS

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

- Continuation of 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.
- Continued effort on 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 29 July 2016, the Company and China Prospect Securities Limited (formerly known as “SEEC Media Securities Limited”, the “Placing Agent”) entered into a supplemental agreement to the placing agreement dated 1 March 2016 (the “Supplemental Agreement”), pursuant to which the Placing Agent agreed to procure not less than six places for the subscription, in up to two tranches of, up to HK\$320,000,000 of the convertible bonds of the Company (the “Placing”). A special general meeting of the Company will be held on 7 September 2016 to approve the Placing and proposed increase in authorized share capital of the Company to HK\$2,000,000,000.



# CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board of Directors, I am pleased to present the Group's interim results for the six months ended 30 June 2016, which consists of reporting on the activities, results and strategies of RCG.

## BUSINESS ENVIRONMENT

The business outlook for 2016 remained vigilant for most part of Asia and Southeast Asia. It is expected that, modest recovery in Southeast Asia and sustained growth in India will partially counter balanced the continued moderation in the People's Republic of China and the associated spillover into neighboring economies. This is also, in consideration of a sharper-than forecast growth slowdown in the People's Republic of China that would hurt regional exports and growth. Despite these trying economic challenges, the Company continued to strive towards sustainability and improvements on its businesses.

## FINANCIAL AND BUSINESS REVIEW

For the first half of 2016, RCG has recorded a gross profit, while in general, recorded a net loss in its current financial period. The Group has reported a total revenue of HK\$20.2 million, representing a decrease of 15.0% compared to the same period in 2015.

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.

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.



## CHAIRMAN'S STATEMENT

### **(ii) Internet and Mobile's Application 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 considered that there will be a growing popularity of mobile marketing together with the surge in demand of various mobile applications.

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.

Having years of experience in the information technology market, the Group intends to further step into this rapid growing market. The Group already identified 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.

### **(iii) Commodities Trading – Reallocating resources to other business segment**

The Group's commodity trading activities revolve around the trading of general commodities like metal, ores, silks and so on.

Commodities trading, requiring low value-added services, 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 requires the Group to reserve a relatively high financial resource for its daily operation. More cash resources are expected to be required if the Group further expands 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 prospects, the Group maintained a cautious stand on the 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*

30 August 2016

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

During the six months ended 30 June 2016, the Group recorded a turnover of HK\$20.2 million, representing a decrease of 15.0% compared to the same period in 2015. The decrease in turnover was attributable to the significant winding down in commodities trading, whilst diversifying into NFC market.

Gross profit margin improved marginally to approximately 11.0% for the six months ended 30 June 2016, compared to 9.9% for the same period in 2015 due to a number of factors, in particular the successful implementation of cost control measures. The Group reported a net loss of HK\$73.6 million for the six months ended 30 June 2016. The net loss, compared to the net profit in the same period in 2015, is attributable to the significant reduction in the investment of financial assets, in particular, listed shares in the Hong Kong Stock Exchange.

### Performance of business segments

The Group is an 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 three categories: "Trading of Security and Biometric Products", "Internet and Mobile's Application and Related Accessories" and "Commodities Trading".

The Group continues to believe that the "Internet and Mobile's 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.

The Group's Commodities 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 in both local and overseas open markets; and also through private transactions. The Group will redefine its business models in this segment and reallocate its resources to other business segments.

Business Segment	Six months ended 30 June				HK\$ y-o-y growth %
	2016 (unaudited) HK\$ m		2015 (unaudited) HK\$ m		
	HK\$ m	%	HK\$ m	%	
Trading of Security and Biometric Products	0.1	0.3	0.3	1.3	(66.7)
Internet and Mobile's Application and Related Accessories	20.1	99.7	12.7	53.4	58.3
Commodities Trading	–	–	10.8	45.3	(100.0)
<b>Total Revenue</b>	<b>20.2</b>	<b>100.0</b>	<b>23.8</b>	<b>100.0</b>	<b>(15.0)</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

The key contributor to the Group's turnover in the six months ended 30 June 2016 was the Internet and Mobile's Application and Related Accessories segment which contributed 99.7% of total turnover.

### Geographical performance

In the first half of 2016, the Group continued to focus its business in Hong Kong and work with partners and distributors around the region. The majority of the Group's revenues are generated from these regions.

## FINANCIAL REVIEW

### Turnover

For the six months ended 30 June 2016, the Group reported a total revenue of HK\$20.2 million representing a decrease of 15.0% compared to HK\$23.8 million in the same period in 2015. The decrease was mainly due to the significant reduction in contribution from the Commodities Trading segment.

### Cost of sales

Cost of sales decreased 16.0% from HK\$21.4 million in the six months ended 30 June 2015 to HK\$18.0 million in the same period in 2016. In terms of percentage of sales, the cost of sales decreased from 90.1% in the six months ended 30 June 2015 to 89.0% in the six months ended 30 June 2016.

### Gross profit and gross profit margin

Gross profit in the first half of 2016 was HK\$2.2 million which is a marginal decrease, as compared to a gross profit of HK\$2.4 million in the same period of 2015.

### Other revenue and gains

Other revenue and gains decreased from HK\$0.9 million during the first half of 2015 to HK\$0.7 million in the same period of 2016.

### Administrative expenses

Administrative expenses decreased by 32.7% from HK\$20.6 million in the first half of 2015 to HK\$13.9 million in the same period in 2016.

### Selling and distribution costs

Selling and distribution costs decreased by 89.4% from HK\$3.3 million in the six months ended 30 June 2015 to HK\$0.4 million in the same period in 2016 due to lower marketing cost incurred to create better market awareness of the Group's products.





## MANAGEMENT DISCUSSION AND ANALYSIS

### Finance costs

Finance costs remained stable which HK\$0.1 million in the six months ended 30 June 2015 and HK\$0.1 million in the same period in 2016.

### Loss before taxation

Loss before taxation is HK\$83.0 million for the six months ended 30 June 2016, compared to a profit before taxation of HK\$335.3 million in the same period in 2015. The loss before taxation in the first half year in 2016 was attributable to fair value loss on financial assets at fair value through profit or loss.

### Income tax expense/credit

Income tax expense/credit changed from HK\$53.8 million expense in first half of 2015 to a HK\$9.4 million credit in same period in 2016.

### Loss for the period

The Group's loss for the period was HK\$73.6 million compared to profit of HK\$281.5 million in the same period in 2015.

### Loss attributable to owners of the Company

Loss attributable to owners of the Company changed from a profit of HK\$283.9 million in the first half of 2015 to a loss of HK\$71.7 million in the same period of 2016.

### Loss attributable to the non-controlling interests

The loss attributable to the non-controlling interests was HK\$1.9 million for six months ended 30 June 2016 (in the same period in 2015 the loss attributable to the non-controlling interest was HK\$2.4 million).

## REVIEW OF THE GROUP'S FINANCIAL POSITION AS AT 30 JUNE 2016

### 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 2016 and 2015.

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 2016, the Group does not have any term loan facility (31 December 2015: HK\$Nil).

Save as disclosed above, there were no other charges on assets as at 30 June 2016 (31 December 2015: HK\$Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group had cash and cash equivalents of HK\$149.3 million as at 30 June 2016 compared to HK\$305.7 million as at 31 December 2015.

### Gearing ratio

As at 30 June 2016, the Group's gearing ratio was Nil, while the Group's gearing ratio was Nil as at 30 June 2015. The gearing ratio was calculated as the Group's total debt divided by its total capital. The Group has no debt as at 30 June 2016. Total capital is calculated as total shareholder equity of HK\$626.0 million plus debt.

### Contingent Liabilities

As at 30 June 2016, the Group had no contingent liabilities (31 December 2015: HK\$Nil). The Company has not been acted as a guarantor of its subsidiaries to secure any interest-bearing borrowings.

The carrying amount of the financial guarantee provision recognised in the Company's balance sheet was HK\$Nil as at 30 June 2016 (31 December 2015: HK\$Nil).

### Deposits, prepayments and other receivables

As at 30 June 2016, the Group's deposits, prepayments and other receivables was HK\$194.4 million, as compared to HK\$50.3 million as at 31 December 2015.

### 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 them 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.

### Significant Investments

As at 30 June 2016, the Group held (i) approximately 875.1 million shares (approximately 1.17%) of China Jicheng Holdings Limited ("CJH") and (ii) approximately 25.3 million shares (approximately 0.25%) of Greater China Professional Services Limited ("GCPS"). The shares of GCPS was listed on The Growth Enterprise Market of the Stock Exchange of Hong Kong Limited while CJH was listed on the Main Board of Stock Exchange. The Group's Investment in CJH and GCPS were collectively referred to as the "Significant Investments".



## MANAGEMENT DISCUSSION AND ANALYSIS

Details of the Significant Investments are as follows:

Company	For the period ended 30 June 2016		At 30 June 2016		At 31 December 2015
	Fair value (loss) HK\$'000	Market value HK\$'000	Approximate percentage of financial assets at FVTPL	Approximate percentage to the total assets	Market Value HK\$'000
CJH	(60,382)	179,396	73.3%	25.0%	239,750
GCPS	(7,089)	12,154	5.0%	1.7%	19,243
Total		191,550			

CJH is principally engaged in the manufacturing and sale of POE umbrellas, nylon umbrellas and umbrella parts such as plastic cloth and shaft. GCPS's business is provision of financial service upon its acquisition of associates and subsidiaries carrying money lending business and gold trading business. Based on the unaudited management accounts of the Group, the market value of the Significant Investments at 30 August 2016 (approval date for issuance of interim results) are approximately HK\$261.3 million. The market sentiment has improved since September 2015. Looking ahead, the value of the Significant Investments may be susceptible to the overall equity market conditions. Except the Significant Investments, at 30 June 2016, there was no investment held by the Group which value was more than 5% of the total assets of the Group.

## HUMAN RESOURCES

As at 30 June 2016, in addition to the directors of the Company (the "Directors"), there were approximately 40 employees (31 December 2015: 40) 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 2016 were HK\$4.7 million, compared with HK\$1.8 million in first half 2015.

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 has continued the efforts to consolidate and realign its businesses to enable the Group to achieve improvements in its financial position. The Group will continue to work towards, attaining a sustainable growth.

# AUDITORS' REPORT



國衛會計師事務所有限公司  
**Hodgson Impey Cheng Limited**

31/F, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

## **INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF RCG HOLDINGS LIMITED**

(incorporated in Bermuda with limited liability)

We have reviewed the interim financial information set out on pages 10 to 32, which comprises the condensed consolidated statement of financial position of RCG Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) at 30 June 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **SCORE OF REVIEW**

We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Accounting Standards Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

**HLB Hodgson Impey Cheng Limited**

Certified Public Accountants

**Hon Koon Fai, Alex**

Practising Certificate Number P05029

Hong Kong, 30 August 2016

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

The Board (the “Board”) of directors (the “Directors”) is pleased to announce the unaudited consolidated interim results of RCG Holdings Limited (the “Company”) and its subsidiaries (collectively known as the “Group”) for the six months ended 30 June 2016. These interim condensed consolidated financial statements were not audited, but have been reviewed by HLB Hodgson Impey Cheng Limited, the Group’s external auditors, and the audit committee of the Company.

	Notes	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
<b>Turnover</b>	3	20,211	23,772
Cost of sales		(17,995)	(21,412)
<b>Gross profit</b>		2,216	2,360
Other revenue and gains	4	671	863
Change on fair value of financial assets at fair value through profit or loss		(71,603)	390,445
Selling and distribution costs		(353)	(3,343)
Administrative expenses		(13,904)	(20,649)
Other operating expenses		–	(34,369)
<b>(Loss)/profit from operations</b>		(82,973)	335,307
Finance costs		(43)	(22)
<b>(Loss)/profit before taxation</b>	5	(83,016)	335,285
Taxation	6	9,427	(53,805)
<b>(Loss)/profit for the period</b>		(73,589)	281,480
<b>Attributable to:</b>			
Owners of the Company		(71,695)	283,880
Non-controlling interests		(1,894)	(2,400)
		(73,589)	281,480
<b>(Loss)/earnings per share attributable to the owners of the Company</b>			
– Basic and diluted (HK cents)	7	(4.73)	28.32

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
<b>(Loss)/profit for the period</b>	<b>(73,589)</b>	<b>281,480</b>
<b>Other comprehensive income/(loss) for the period:</b>		
<i>Items that may be reclassified to profit or loss:</i>		
Available-for-sale financial assets:		
Change in fair value	–	55
Exchange differences on translating foreign operations		
Exchange differences arising during the period	(161)	(3,018)
	(161)	(2,963)
<b>Total comprehensive (loss)/income for the period</b>	<b>(73,750)</b>	<b>278,517</b>
<b>Total comprehensive (loss)/income for the period attributable to:</b>		
Owners of the Company	(71,856)	280,917
Non-controlling interests	(1,894)	(2,400)
	(73,750)	278,517

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	683	780
Goodwill	10	26,066	26,066
Intangible assets	11	72,164	77,319
		98,913	104,165
<b>Current assets</b>			
Financial assets at fair value through profit or loss		244,644	297,273
Trade receivables	12	29,173	16,439
Deposits, prepayments and other receivables		194,410	50,271
Cash at bank and on hand		149,330	305,721
		617,557	669,704
<b>Total assets</b>		<b>716,470</b>	<b>773,869</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	13	60,949	60,149
Reserves		539,277	604,453
<b>Equity attributable to owners of the Company</b>		<b>600,226</b>	<b>664,602</b>
<b>Non-controlling interests</b>		<b>25,737</b>	<b>27,631</b>
<b>Total equity</b>		<b>625,963</b>	<b>692,233</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities		33,294	43,814
<b>Current liabilities</b>			
Trade payables	14	25,502	12,460
Accruals and other payables		30,486	24,595
Tax payable		1,225	767
		57,213	37,822
<b>Total liabilities</b>		<b>90,507</b>	<b>81,636</b>
<b>Total equity and liabilities</b>		<b>716,470</b>	<b>773,869</b>
<b>Net current assets</b>		<b>560,344</b>	<b>631,882</b>
<b>Total assets less current liabilities</b>		<b>659,257</b>	<b>736,047</b>



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

Attributable to the owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Available- for-sale securities revaluation reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Legal reserve HK\$'000	Retained earnings HK\$'000	Sub-total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
As at 1 January 2015 (audited)	10,025	2,245,190	-	4,699	(872)	(25,082)	48	(2,027,476)	206,532	31,957	238,489
Total comprehensive income/(loss) for the period	-	-	55	-	-	(3,018)	-	283,880	280,917	(2,400)	278,517
As at 30 June 2015 (unaudited)	10,025	2,245,190	55	4,699	(872)	(28,100)	48	(1,743,596)	487,449	29,557	517,006
As at 1 January 2016 (audited)	60,149	2,502,047	-	4,699	(872)	(30,491)	48	(1,870,978)	664,602	27,631	692,233
Total comprehensive loss for the period	-	-	-	-	-	(161)	-	(71,895)	(71,856)	(1,894)	(73,750)
Grant of share option	-	-	-	2,740	-	-	-	-	2,740	-	2,740
Issue of shares upon exercise of shares option	800	6,132	-	(2,192)	-	-	-	-	4,740	-	4,740
As at 30 June 2016 (unaudited)	60,949	2,508,179	-	5,247	(872)	(30,652)	48	(1,942,673)	600,226	25,737	625,963

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
<b>Net cash used in operating activities</b>	(161,470)	(35,727)
<b>Net cash generated from investing activities</b>	–	2,952
<b>Net cash generated from/(used in) financing activities</b>	4,740	(59,411)
<b>Net decrease in cash and cash equivalents</b>	(156,730)	(92,186)
<b>Cash and cash equivalents at the beginning of the period</b>	305,721	138,764
Effect of foreign exchange rate changes	339	(2,973)
<b>Cash and cash equivalents at 30 June</b>	149,330	43,605
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash at bank and on hand	149,330	43,605
<b>Cash and cash equivalents at 30 June</b>	149,330	43,605

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2016

## 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). 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 2015.

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.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of International Financial Reporting Standards ("IFRSs") 2, leasing transactions that are within the scope of International Accounting standards ("IAS") 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

The consolidated financial statements are presented in Hong Kong Dollars ("HK\$") which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (HK\$'000), except when otherwise indicated.

## NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 1. BASIS OF PREPARATION (continued)

#### (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 2015.

### 2. APPLICATION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Interim Financial Statements has been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

The Group has adopted the following revised International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, IASs and Interpretations) issued by the International Accounting Standards Board for the first time for these Interim Financial Statements.

Amendments to IFRS 10, IFRS 12 and IAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 27 (2011)	Equity Method in Separate Financial Statements
Annual Improvements to 2012-2014 Cycle	Amendments to numbers of IFRSs

The adoption of the revised IFRSs has had no significant financial effect on these Interim Financial Statements and there have been no significant changes to the accounting policies applied in these Interim Financial Statements.



## NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 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 & 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 biometric and RFID products and components for commercial use. The Group predominantly sells to distributors, system integrators and security system providers.
- Internet & Mobile's Application & Related Accessories segment is mobile and gaming industry and in particular in Online gaming, Utilities Applications for IOS, Androids and Mass Advertising.
- Commodities Trading segment is 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 2016

**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 2016 and 30 June 2015 and segment assets and segment liabilities as at 30 June 2016 and 31 December 2015:

	Trading of Security & Biometric products		Internet & Mobile's Application & Related Accessories		Commodities Trading		Unallocated		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover										
– External sales	51	300	20,160	12,712	–	10,760	–	–	20,211	23,772
Segment results	–	300	2,216	1,997	–	63	–	–	2,216	2,360
Other operating income	591	–	–	–	–	–	80	863	671	863
Depreciation	(27)	(109)	(40)	(139)	–	–	(45)	(46)	(112)	(294)
Amortisation of intangible assets	–	–	(4,304)	(10,309)	–	–	–	–	(4,304)	(10,309)
Change on fair value of financial assets at fair value through profit or loss	–	–	–	–	–	–	(71,603)	390,445	(71,603)	390,445
Unallocated expenses	–	–	–	–	–	–	(9,841)	(47,758)	(9,841)	(47,758)
Finance costs	–	–	–	–	–	–	(43)	(22)	(43)	(22)
(Loss)/profit before taxation	–	–	–	–	–	–	(81,452)	343,482	(83,016)	335,285
Taxation	–	–	–	–	–	–	9,427	(53,805)	9,427	(53,805)
(Loss)/profit for the period	–	–	–	–	–	–	(72,025)	289,677	(73,589)	281,480
<b>Segment assets</b>	952	3,288	126,422	115,732	21,182	21,182	567,914	633,667	716,470	773,869
<b>Segment liabilities</b>	658	1,685	1,648	3,836	10,697	10,697	77,504	65,418	90,507	81,636
<b>Other segment information:</b>										
Depreciation	(27)	(109)	(40)	(139)	–	–	(45)	(46)	(112)	(294)
Amortisation of intangible assets	–	–	(4,304)	(10,309)	–	–	–	–	(4,304)	(10,309)
Impairment loss on trade receivables	–	–	–	–	–	–	–	(150)	–	(150)
Impairment loss on goodwill	–	–	–	(13,601)	–	–	–	–	–	(13,601)
Impairment loss on intangible assets	–	–	–	(20,618)	–	–	–	–	–	(20,618)

## NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2016

**3. TURNOVER AND SEGMENT INFORMATION (continued)****Revenue from major products and services**

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

	For the six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Trading of Security & Biometric Products	51	300
Internet & Mobile's Application & Related Accessories	20,160	12,712
Commodities Trading	–	10,760
	20,211	23,772

**Geographical information**

The Group operates in two principal geographical areas – Hong Kong and Other Asian Countries. The following tables provide an analysis of the Group's turnover, by geographical areas, irrespective of the origin of the goods and services:

	For the six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Hong Kong	7,846	23,772
Other Asian Countries	12,365	–
	20,211	23,772

## NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2016

## 4. OTHER REVENUE AND GAINS

	For the six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
<b>Other revenue</b>		
Bank interest income	55	96
Sundry income	18	225
	<b>73</b>	<b>321</b>
<b>Other gains</b>		
Waiver of debts from other payables	–	63
Refund of over provided interest payment	–	479
Gain on disposal of financial assets at fair value through profit or loss	591	–
Foreign exchange gain	7	–
	<b>598</b>	<b>542</b>
	<b>671</b>	<b>863</b>



## NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2016

**5. (LOSS)/PROFIT BEFORE TAXATION**

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

	For the six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
<b>Finance costs</b>		
Bank charges	43	21
Interest on obligations under finance leases	–	1
	43	22
<b>Other items</b>		
Cost of inventories sold	1,946	10,715
Depreciation	112	294
Amortisation of intangible assets	4,304	10,309
Written off of account receivables	–	150
Impairment of goodwill*	–	13,601
Impairment of intangible assets*	–	20,618

\* Items included in other operating expenses

## NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2016

**6. TAXATION**

	For the six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Current tax expenses in respect of the current year – HK	243	73
Current tax expenses in respect of the current year – Malaysia	–	46
(Reversed)/provision of deferred tax	(9,670)	53,686
	(9,427)	53,805

Hong Kong Profits Tax is calculated at 16.5% (2015: 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 2015 as the Company and its subsidiaries had no assessable profits arising in Hong Kong and Malaysia.

Malaysian Income Tax is calculated at the statutory tax rate of 25% (2015: 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% (2015: 20%) for the period and the amount of chargeable income exceeding Malaysian Ringgit 500,000 is charged at the rate of 25% (2015: 25%) for the period.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for the period (2015: 25%).

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

Deferred tax charges represent tax effects of amortization and impairment of intangible assets and change on fair value of financial assets at fair value through profit or loss for the period ended 30 June 2016.

## NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2016

**7. (LOSS)/EARNINGS PER SHARE**

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

**(Loss)/profit**

	For the six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
<b>(Loss)/profit for the purpose of basic and diluted (loss)/earnings per share</b>		
(Loss)/profit for the period attributable to owners of the Company	(71,695)	283,880

**Number of shares**

	For the six months ended 30 June	
	2016 (unaudited)	2015 (unaudited)
<b>Weight average number of ordinary shares for the purposes of basic and diluted (loss)/earnings per share</b>		
	1,516,037,436	1,002,486,496

The calculation of the diluted (loss)/earnings per share for the periods ended 30 June 2016 and 2015 did not assume the exercise of the Company's outstanding share options as the effect is anti-dilutive.

**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 2016 (2015: Nil).

**9. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 June 2016, the Group did not acquire any material property, plant and equipment (for the year ended 31 December 2015: approximately HK\$149,000). No items of property, plant and equipment was disposed during the six months ended 30 June 2016 (for year ended 31 December 2015: approximately HK\$77,000), resulting in no gain on disposal of property, plant and equipment (for year ended 31 December 2015: a gain on disposal of property, plant and equipment of approximately HK\$5,000).

## NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2016

## 10. GOODWILL

	Six months ended 30 June 2016 HK\$'000 (unaudited)	Year ended 31 December 2015 HK\$'000 (audited)
<b>Cost</b>		
As at the beginning of the period/year	182,880	204,504
Exchange alignment	7,654	(21,624)
As at the end of the period/year	190,534	182,880
<b>Accumulated impairment losses</b>		
As at the beginning of the period/year	156,814	164,837
Impairment loss recognised during the period/year	–	13,601
Exchange alignment	7,654	(21,624)
As at the end of the period/year	164,468	156,814
<b>Carrying amount</b>		
As at the end of the period/year	26,066	26,066

## NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2016

**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 2016 HK\$'000 (unaudited)	As at 31 December 2015 HK\$'000 (audited)
Provision of advertising on mobile platforms	26,066	26,066

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 2016 and for the year ended 31 December 2015. 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.

For the period ended 30 June 2016, the directors of the company had assessed the recoverable amount of the CGUs that impairment losses of approximately HK\$Nil (for the year ended 31 December 2015: HK\$13,601,000) were recognised as the recoverable amount of the CGUs. The recoverable amounts of the CGUs are determined based on value-in-use calculations.

**11. INTANGIBLE ASSETS**

The director of the Company had assessed the recoverable amount of intangible assets for the period ended 30 June 2016 and year ended 31 December 2015. No impairment loss (31 December 2015: HK\$Nil) on intangible assets was recognised for the period ended 30 June 2016.

## NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2016

**12. TRADE RECEIVABLES**

The ageing analysis of the trade receivables is based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	As at 30 June 2016 HK\$'000 (unaudited)	As at 31 December 2015 HK\$'000 (audited)
0–30 days	2,351	2,311
31–60 days	3,165	656
61–90 days	2,949	1,047
91–180 days	7,133	578
Over 180 days	13,575	11,847
	<b>29,173</b>	<b>16,439</b>
Impairment loss on trade receivables	–	–
	<b>29,173</b>	<b>16,439</b>

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.

## NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2016

## 13. SHARE CAPITAL

	Number of shares		Share Capital	
	As at 30 June 2016  (unaudited)	As at 31 December 2015  (audited)	As at 30 June 2016  HK\$'000 (unaudited)	As at 31 December 2015  HK\$'000 (audited)
<b>Authorised:</b>				
Ordinary shares of HK\$0.04 each	2,250,000,000	2,250,000,000	90,000	90,000
	Six months ended 30 June 2016	Year ended 31 December 2015	Six months ended 30 June 2016  HK\$'000	Year ended 31 December 2015  HK\$'000
<b>Issued and fully paid:</b>				
As the beginning of the period/year	1,503,729,744	1,002,486,496	60,149	10,025
Share consolidation (note a)	–	(751,864,872)	–	–
Issue of shares pursuant to open offer (note b)	–	1,253,108,120	–	–
Issue of shares upon exercise of share option (note c)	20,000,000	–	800	50,124
	1,523,729,744	1,503,729,744	60,949	60,149

## Notes:

- (a) The Company's share consolidation was effective on 20 July 2015 pursuant to the resolution passed at the special general meeting on 17 July 2015. Consolidation of every four shares of HK\$0.01 each into one consolidated share of HK\$0.04 each.
- (b) On 25 August 2015, 1,253,108,120 shares of HK\$0.04 each were issued by way of open offer at a price of HK\$0.25 per share for net proceeds of approximately HK\$306,981,000. The excess of the open offer over the par value of the shares issued was credited to the share premium of the Company. The Company intends to apply the net proceeds from the open offer for (i) 90% of net proceeds for business development of Azooqa and other possible investment opportunities which may arise from time to time; and (ii) 10% for general working capital for existing business of the Group.
- (c) During the interim period, 20,000,000 ordinary shares of HK\$0.04 each were issued as a result of exercise of share options under share option scheme.

## NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 14. TRADE PAYABLES

The ageing analysis of the trade payables is presented based on the invoice date at the end of the reporting period is as follows:

	As at 30 June 2016 HK\$'000 (unaudited)	As at 31 December 2015 HK\$'000 (audited)
0–30 days	1,237	–
31–60 days	4,386	–
Over 60 days	19,879	12,460
	<b>25,502</b>	<b>12,460</b>

Trade payables are generally settled on 0–60 days terms. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The directors of the Company consider that the carrying amounts of trade payables approximate to their fair values.

### 15. 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*

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

	As at 30 June 2016 Level 1 HK\$'000 (unaudited)	As at 31 December 2015 Level 1 HK\$'000 (audited)
Financial assets at fair value through profit or loss:		
Listed equity securities at Hong Kong	244,644	297,273

There were no transfers between Level 1 and 2 and 3 for the period ended 30 June 2016 and for the year ended 31 December 2015.

All of the financial instruments carried at fair value are value using quoted bid prices in an active market.



## NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2016

**16. COMMITMENTS**

The Group had no capital commitment as at 30 June 2016 and 31 December 2015.

**17. SHARE-BASED PAYMENTS**

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			
	2016		2015	
	Weighted average exercise price per share	Number of options	Weighted average exercise price per share	Number of options
As at 1 January	HK\$25.44	316,295	HK\$8.21	1,060,000
Lapsed	–	–	HK\$8.21	(80,000)
As at 30 June (unaudited)	HK\$25.44	316,295	HK\$8.21	980,000
Adjustment				(663,705)
As at 31 December (audited)			HK\$25.44	316,295

The options have contractual option terms of 10 years. There are 316,295 outstanding options (for the year ended 31 December 2015: 316,295 options) which no options are exercised for the six months ended 30 June 2016 (for the year ended 31 December 2015: Nil). Weighted average remaining contractual life of options outstanding as at 30 June 2016 is 3.8 years (as at 31 December 2015: 4.3 years).

## NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 17. SHARE-BASED PAYMENTS (continued)

A new share option scheme (the "New Share Option Scheme") was adopted by the Company on 28 June 2013 which are granted to eligible participants of the Company.

	New Share Option Scheme			
	2016		2015	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
As at 1 January	–	–	–	–
Granted	HK\$0.24	25,000,000	–	–
Exercised	HK\$0.24	(20,000,000)	–	–
As at 30 June (unaudited)	HK\$0.24	5,000,000	–	–

The contractual option term of the Share options is 3 years. There are 5,000,000 outstanding options as at 30 June 2016 and the weighted average remaining contract life of the options outstanding as at 30 June 2016 is 2.6 years.

### 18. CONTINGENT LIABILITIES

As at 30 June 2016 and 31 December 2015, the Group had no significant contingent liabilities.

### 19. 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	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Salaries and bonus	540	634

### 20. SUBSEQUENT EVENTS

On 29 July 2016, the Company and China Prospect Securities Limited (formerly known as "SEEC Media Securities Limited", the "Placing Agent") entered into a supplemental agreement to the placing agreement dated 1 March 2016 (the "Supplemental Agreement"), pursuant to which the Placing Agent agreed to procure not less than six placees for the subscription, in up to two tranches of, up to HK\$320,000,000 of the convertible bonds of the Company (the "Placing"). A special general meeting of the Company will be held on 7 September 2016 to approve the Placing and proposed increase in authorized share capital of the Company to HK\$2,000,000,000. For the detail, please refer to the Company's announcement dated 21 August 2016.

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

During the six months ended 30 June 2016, the Company issued and allotted 20,000,000 ordinary shares of HK\$0.04 each, as a result of the exercise of share options to share option holders of the Company.

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 2016.

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

As at 30 June 2016, 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 2016, 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 2)
The Offshore Group Holdings Limited (Note 1)	Beneficial owner	80,273,334	–	80,273,334	5.34%
Chan Chun Chuen (Note 1)	Interest of controlled corporation	80,273,334	–	80,273,334	5.34%
Tam Miu Ching (Note 1)	Spousal interest	80,273,334	–	80,273,334	5.34%

#### Notes:

- 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. As at 30 June 2016, Offshore holds 13,378,889 Consolidated shares and 66,894,445 Offer shares under the Open Offer. Therefore, Mr. Chan Chun Chuen and Ms. Tam Miu Ching are deemed to be interested in the 80,273,334 shares held by Offshore under the SFO.
- It represents the approximately percentage of total issued shares as at 30 June 2016.

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 2016 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 2015 under the section “Directors’ Report”.

### Share Option Schemes

Movements of the share options granted under the Post Listing Scheme during the period ended 30 June 2016 are as follows:

	Outstanding as at 1 January 2016	Granted during the six months ended 30 June 2016	Exercised during the six months ended 30 June 2016	Lapsed during the six months ended 30 June 2016	Cancelled during the six months ended 30 June 2016	Outstanding as at 30 June 2016 (Note 1)	Date of grant	Vesting period	Exercisable period	Exercise price (Note)
<b>Other employees</b>										
In aggregate	303,382	-	-	-	-	303,382	29.04.2010	-	29.04.2010–28.03.2017	HK\$25.44
	12,913	-	-	-	-	12,913	29.04.2010	1 year	29.04.2011–28.04.2020	HK\$25.44
<b>Total</b>	<b>316,295</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>316,295</b>				

Note:

Pursuant to the terms of the Post Listing Scheme adopted on 16 October 2008, the exercise price of the share options granted under the Post Listing Scheme and the number of shares to be allotted and issued upon exercise in full of the subscription rights attaching to the outstanding share options have been adjusted to HK\$25.44 and 316,295 respectively, with effect from 25 August 2015, as a result of the share consolidation and open offer of ordinary shares of the Company.

Movements of the share options granted under the New Share Option Scheme during the period ended 30 June 2016 are as follows:

	Outstanding as at 1 January 2016	Granted during the six months ended 30 June 2016	Exercised during the six months ended 30 June 2016	Lapsed during the six months ended 30 June 2016	Cancelled during the six months ended 30 June 2016	Outstanding as at 30 June 2016	Date of grant	Vesting period	Exercisable period	Exercise price
Eligible participants	-	25,000,000	20,000,000	-	-	5,000,000	26.01.2016	-	26.01.2016 – 25.01.2019	HK\$0.237
Total	-	25,000,000	20,000,000	-	-	5,000,000				

Note:

Closing price of the shares on the last trading day prior to the date of grant was HK\$0.24 per share.

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 2016.

## CORPORATE GOVERNANCE CODE

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 the six months ended 30 June 2016.

### Non-Compliance with Rules 3.10(1), 3.21 and 3.25 of the Hong Kong Listing Rules

On 30 June 2016, the Company failed to comply with Rules 3.10(1), 3.21 and 3.25 of the Hong Kong Listing Rules after the retirement of Mr. Tse Chin Pang as an independent non-executive Director, chairman of the remuneration committee, member of the audit committee and nomination committee of the Company. Following the appointment of Ms. Lo Suet Lai on 12 September 2016, the Company has fulfilled the requirements of Rules 3.01(1), 3.21 and 3.25 of the Hong Kong Listing Rules.

## DIRECTORS' DEALING IN THE COMPANY'S SECURITIES

The Company has adopted the Model Code set out in Appendix 10 of the Hong Kong Listing Rules as its code of conduct for securities transactions by Directors and the relevant employees of the Group.

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 2016.

## AUDIT COMMITTEE

As at the date of publication, the audit committee of the Company (the "Audit Committee") comprised of two members, namely Mr. Kwan King Wah as chairman with Mr. Liu Wen, an independent non-executive Director.

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 2016.

## PUBLICATION OF INTERIM REPORT

The interim report will be published on the RCG's website ([www.rcg.tw](http://www.rcg.tw)), the RCG's investor relations webpage on [www.rcg.todayir.com](http://www.rcg.todayir.com) and the HKSE's website ([www.hkex.com.hk](http://www.hkex.com.hk)).

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

Hong Kong, 30 August 2016

*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

