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# RCG

## RCG Holdings Limited

宏霸數碼集團(控股)有限公司\*

*(a company incorporated in Bermuda with limited liability)*

**(Stock Codes: HKSE: 802; AIM: RCG)**

### **DISCLOSURE OF EVENT**

**and**

### **RESUMPTION OF TRADING**

The CCB visited the Company's Hong Kong business office on Thursday 20 September, 2012 and executed a search warrant. In addition, the Company was served a production order by the CCB requiring it to produce various documents all of which relate to the Former Subsidiaries and A-1 Development Inc. and not to the Company itself or any of its current subsidiaries.

Having made reasonable enquiries, including asking questions of the CCB, the Company does not know the reasons for and details of the CCB investigation. The Company cannot say categorically that the CCB investigation to which the warrant relates is not related to the Company and/or any of its Directors but based on the information available to it the Company believes that the CCB investigation is related only to the Former Subsidiaries and A-1 Development Inc. The Company understands that there have been no related charges or arrests made by the CCB.

Mr. Li Jinglong and Mr. Zhang Ligong, executive Directors, were not employed by or Directors of the Company at the time of its acquisitions of interests in the Former Subsidiaries and A-1 Development Inc. but both were employed as executive Directors of the Company at the time of the disposal of its interests in the Former Subsidiaries. Neither of them participated in the negotiations for the disposal of the Former Subsidiaries as the amounts involved were insignificant and the Former Subsidiaries were no longer treated as going concerns, Neither of Mr. Li and Mr. Zhang took part in day to day operations or decisions of any of the Former Subsidiaries and A-1 Development Inc.

Pieter Lambert Diaz Wattimena, independent non-executive Director of the Company, save that he took part in the acquisition of Strong Aim Limited, was not employed by or a Director of the Company at the time of its acquisitions of interests in other Former Subsidiaries and A-1 Development Inc. His only role in the acquisition of Strong Aim Limited was to assess the proposed transaction in his capacity as a non-executive Director and to vote on the board resolution in respect of the acquisition. At the time of the disposals of the Former Subsidiaries, his role was to assess the proposed transactions in his capacity as a non-executive Director and to vote on the board resolutions in respect of the disposals.

Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman, appointed as an independent non-executive Director on 1 June 2010 and re-designated as non-executive Chairman on 4 October, 2010, was not employed by or a Director of the Company at the time of its acquisitions of interest in Former Subsidiaries and A-1 Development Inc. At the time of the disposals of the Former Subsidiaries, his only role was to assess the proposed transactions in their capacity as a non-executive Director and Chairman and to vote on the board resolutions in respect of the disposals.

Save as mentioned above, none of the current Directors were employed by or Directors either at the time of its acquisitions of interests in the Former Subsidiaries and A-1 Development Inc. or at the time of the disposal of its interests in the Former Subsidiaries.

None of the current Directors of the Company has or ever had any role in the day to day operations of the Former Subsidiaries or of A-1 Development Inc. None of the current Directors of the Company has any business or family relationship with any former Directors or substantial shareholders of the Company.

In addition, although on the evidence so far made available to it the Company believes that the CCB investigation is not related to the Company, it has instituted an internal review, being carried out under the leadership of one of its independent non-executive Directors, Mr. Kwan King Wah. Chairman of its Audit Committee. The scope of this review is to examine the books and records of the Company and its subsidiaries and to make enquiries of current staff to seek to ascertain whether the CCB investigation is related to the Company and/or any of its Directors, and whether there was misconduct by the Company or its staff and subsidiaries which may be related to the warrant. Based on the evidence so far the Company's independent non-executive Directors and audit committee have concluded that there is nothing in that evidence to establish that the CCB investigation is related to the Company and/or any of its Directors, or misconduct by the Company or its staff and subsidiaries.

The CCB search and production order have had no impact whatsoever on the business or assets of the Company. The Company believes that the CCB investigation will not materially and adversely affect its business, assets and operations.

Application has been made by the Company to The Stock Exchange of Hong Kong Limited for the resumption of trading in the shares of the Company with effect from 9:00 a.m. on 20 December, 2012.

## **CCB SEARCH / PRODUCTION ORDER**

The board (the "Board") of directors ("Directors") of RCG Holdings Limited (the "Company" and, together with its subsidiaries, the "Group") announces that the Commercial Crime Bureau of the Hong Kong Police Force ("CCB") visited the Company's Hong Kong business office on Thursday 20 September, 2012 and executed a search warrant requiring amongst other things the production of certain documents and information related to certain former subsidiaries of the Company (the "Former Subsidiaries"), and A-1 Development Inc. (a dormant company in which the Company holds an indirect interest of 15% in the equity as an available-for-sale financial asset and in which it has never had any management influence) and also certain external parties, namely Top Digital Holding Limited, Multi-Metro Limited and National Bonus International Limited, in connection with an investigation of possible fraud contrary to Section 16A of the Theft Ordinance.

In addition, on Monday 5 November, 2012, by prior arrangement with the CCB, the Company was served a production order by the CCB requiring it to produce various documents all of which relate

to the Former Subsidiaries and A-1 Development Inc. and not to the Group itself. The Company has searched its records and established that it has no such documents and believes all documents subject to that order are in the possession of the Former Subsidiaries and A-1 Development Inc. The Company is actively cooperating with the CCB in its investigation and provided information to the CCB to enable it to contact the buyers of the Former Subsidiaries and to contact the major shareholder of A-1 Development Inc.

## FORMER SUBSIDIARIES

The Former Subsidiaries are Chance Best Technology Limited, Strong Aim Limited and Vast Base Technology Limited.

The table below sets out the dates of the acquisitions and disposals of the Former Subsidiaries and the date of acquisition of the Company's interest in A-1 Development Inc.

Name of company	Date of acquisition (percentage acquired)	Date of disposal
Chance Best Technology Limited	30 November, 2007 (75.61%)	30 November, 2011
	8 January, 2008 (9.76%)	
	10 November, 2008 (14.63%)	
Strong Aim Limited	24 April, 2010 (70%)	30 March, 2012
Vast Base Technology Limited	31 December, 2007 (19.9%)	30 November, 2011
	15 May, 2008 (40.1%)	
	15 November, 2008 (20.0%)	
A-1 Development Inc.	7 April, 2009 (15%)	Still held (Dormant)

The decisions about the disposals of the Former Subsidiaries were made unanimously by the Board. The Former Subsidiaries were sold because their businesses had declined and there was no certainty that they could be treated as going concerns.

During 2011, the businesses of the Former Subsidiaries had suffered major degradation for reasons that included the loss of customers as a result of the competitive and saturated markets in which they operated and the adverse publicity concerning ownership of a significant stake in the Company and the estate of Nina Wang Kung Yu-sum. They did not record any sales after the late second quarter of the year 2011, resulting in a substantial drop in profit. In addition, the recoverability of trade debts owed by customers was considered doubtful and had to be fully provided for. Their businesses had in effect ceased and it was decided to dispose of them.

The buyers of the Former Subsidiaries were introduced by the Company's business associates. The roles in the sales of Danny Chew, the Company's Acting Chief Executive Officer, and Kenny Sim, its Deputy Chief Financial Officer, were solely to facilitate the documentation for the sale of these companies.

All its former interests in the Former Subsidiaries were disposed of before execution of the search warrant. The Company still holds an indirect investment 15% of the equity of A-1 Development Inc. which is classified as an available-for-sale financial asset in the financial statement of the Company. The Company has no material liabilities to any of the Former Subsidiaries and A-1 Development Inc. and they are not debtors of the Company. The Company believes that the CCB investigation will not materially and adversely affect its business, assets and operations.

## **EFFECT ON BUSINESS**

The CCB search and production order have had no impact whatsoever on the business or assets of the Company.

The Board believes that the CCB investigation will not materially and adversely affect its business, assets and operations.

## **REASONS FOR CCB INVESTIGATION**

Every Director attended a board meeting on 21 September, 2012, the day after the execution of the search warrant by the CCB and the Directors confirmed that they had no knowledge about the matter raised by the CCB search warrant and that to the best of their knowledge they are not being investigated, and have not been asked by the CCB to assist in the investigation. The Directors confirm that they still have no knowledge about the matter raised by the CCB search warrant and that to the best of their knowledge they are not being investigated, and have not been asked by the CCB to assist in the investigation.

Having made reasonable enquiries, including reviewing a letter from the CCB in reply to questions asked of the CCB, the Company does not know the reasons for and details of the CCB investigation. The Company cannot say categorically that the CCB investigation to which the warrant relates is not related to the Company and/or any of its Directors. Based on the production order and the information available to the Company the Board believes that the CCB investigation is related only to the Former Subsidiaries and A-1 Development Inc. The Company understands that there have been no related charges or arrests made by the CCB.

## **ROLES OF DIRECTORS**

None of the Directors has or ever had any role (whether in day to day operations or otherwise) in the Former Subsidiaries or A-1 Development Inc. because either they were non-executive Directors or they were not at any relevant time Directors of the Company or the Former Subsidiaries and A-1 Development Inc. were not material to the operations of the Group.

None of the current Directors has any business or family relationship with any former Directors or substantial shareholders of the Company.

Mr. Li Jinglong and Mr. Zhang Ligong, current executive Directors, were not Directors at the time of its acquisitions of interests in the Former Subsidiaries and A-1 Development Inc. but both were executive Directors at the time of the disposal of its interests in the Former Subsidiaries. Neither of them participated in the negotiations for the disposal of the Former Subsidiaries as the amounts involved were insignificant to the Group and the Former Subsidiaries were no longer treated as going concerns. Neither of Mr. Li and Mr. Zhang took part in day to day operations or decisions of any of the Former Subsidiaries and A-1 Development Inc. The roles of Mr. Li and Mr. Zhang are in development and in strategy rather than in day to day operations. They formulate strategy for the Group and the management of each subsidiary is responsible for implementation of the strategy

through control of day to day operations. Both Mr. Li and Mr. Zhang focus mainly on developing new markets for the Company in China rather than matters such as disposal of businesses that are no longer material to the Group. Mr. Li is Managing Director, of the Company responsible for overseeing and managing the Group. Mr. Zhang is its Operations Director, responsible for overseeing the operations of the Group.

Pieter Lambert Diaz Wattimena, independent non-executive Director, was not employed by or Director at the time of its acquisitions of interests in the Former Subsidiaries (except Strong Aim Limited) and A-1 Development Inc. His only role in the acquisition of Strong Aim Limited was to assess the proposed transaction in his capacity as an independent non-executive Director and to vote on the board resolution in respect of the acquisition. He does not have and has never had any role in day to day operations of the Company. At the time of the disposals of the Former Subsidiaries, his role was to assess the proposed transactions in his capacity as an independent non-executive Director and to vote on the board resolutions in respect of the disposals.

Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman appointed as an independent non-executive Director on 1 June, 2010 and re-designated as a non-executive Chairman on 4 October, 2010, was not employed by or a Director of the Company at the time of its acquisitions of interests in the Former Subsidiaries and A-1 Development Inc. He does not have and has never had any role in day to day operations of the Company. At the time of the disposals of the Former Subsidiaries, his only role was to assess the proposed transactions in his capacity as a non-executive Director and Chairman and to vote on the board resolutions in respect of the disposals.

Wang Zhongling, an executive Director , was not employed by or a Director of the Company at the time of its acquisitions of interests in the Former Subsidiaries and A-1 Development Inc. or at the time of the disposal of the interests in the Former Subsidiaries. He did not take part in day to day operations or decisions of any of the Former Subsidiaries and A-1 Development Inc.

Kwan King Wah, an independent non-executive Director, was not employed by or a Director of the Company at the time of its acquisition of interest in Former Subsidiaries and A-1 Development Inc. or at the time of the disposal of the interests in the Former Subsidiaries. He did not take part in day to day operations or decisions of any of the Former Subsidiaries and A-1 Development Inc.

Zeng Min, an independent non-executive Director , was not employed by or a Director of the Company at the time of its acquisitions of interest in the Former Subsidiaries and A-1 Development Inc. or at the time of the disposal of the interests in the Former Subsidiaries. He did not take part in day to day operations or decisions of any of the Former Subsidiaries and A-1 Development Inc.

Chong Cha Hwa, Brandson a former executive Director (appointed on 1 July 2012 and resigned on 13 November 2012), was not employed by or a Director of the Company at the time of the acquisitions of interests in the Former Subsidiaries and A-1 Development Inc. or at the time of the disposal of the interests in the Former Subsidiaries. He did not take part in day to day operations or decisions of any of the Former Subsidiaries and A-1 Development Inc.

Save as mentioned above, none of the current Directors were employed by or Directors of the Company either at the time of its acquisitions of interests in the Former Subsidiaries and A-1 Development Inc. or at the time of the disposal of its interests in the Former Subsidiaries.

The table below summarises in respect of each Director named in it his role in each of the Former Subsidiaries and A-1 Development Inc., and in decisions by any of those companies, from the date each was acquired to the date each was disposed of:

	<b>Chance Best Technology Limited</b>	<b>Strong Aim Limited</b>	<b>Vast Base Technology Limited</b>	<b>A-1 Development Inc.</b>
<b>Pieter Lambert Diaz Wattimena</b>	No role in day to day operations or otherwise. No role in decisions.	No role in day to day operations or otherwise. No role in decisions.	No role in day to day operations or otherwise. No role in decisions.	No role in day to day operations or otherwise. No role in decisions.
<b>Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman</b>				
<b>Li Jinglong</b>				
<b>Zhang Ligong</b>				

## **ROLES OF SENIOR MANAGEMENT**

Only two members of the Company's current senior management, the Acting Chief Executive Officer and the Deputy Chief Financial Officer, namely Danny Chew and Kenny Sim, neither of whom had been appointed by the Company at the time of its acquisitions of interests in the Former Subsidiaries and A-1 Development Inc., were employed by it at the time of the disposal of the Former Subsidiaries. Each of them had a limited role in the day to day operations of the Former Subsidiaries, which consisted principally of debt-collection activities for the benefit of the Former Subsidiaries in preparation for a sale of the Former Subsidiaries. Neither has or ever had any role in the day to day operations of A-1 Development Inc., which is now dormant.

Mr. Sim's and Mr. Chew's roles in the sales of the Former Subsidiaries were solely to facilitate the documentation for the sale of these companies.

## **INTERNAL REVIEW**

In addition, although on the evidence so far made available to it the Company believes that the CCB investigation is not related to the Company, it has instituted an internal review, being carried out under the leadership of one of its independent non-executive Directors, Mr. Kwan King Wah, Chairman of its Audit Committee. The scope of this review is to examine the books and records of the Company and its subsidiaries and to make enquiries of current staff to seek to ascertain whether the CCB investigation is related to the Company and/or any of its Directors, and whether there was misconduct by the Company or its staff and subsidiaries which may be related to the warrant. As part of this review enquiries have been made of Mr. Kenny Sim and Mr. Danny Chew and other staff of the Company and its books and records have been examined.

The enquiries of staff of the Company and examination of its books and records have been completed. The CCB has given no indication to the Company that the CCB investigation is related to the Company and/or any of its Directors, or whether it relates to possible misconduct by the Company or its staff and subsidiaries.

Based on the evidence so far the Company's independent non-executive Directors and audit committee have concluded that there is nothing in that evidence to establish that the CCB's investigation is related to the Company and/or any of its Directors, or misconduct by the Company or its staff and subsidiaries.

## APPOINTMENT AND CHANGE OF DIRECTORS

The table below sets out the appointment dates of the Company's current Directors.

<b>Name of Directors</b>	<b>Date of appointment</b>
<i>Executive Directors</i>	
Li Jinglong	27 September, 2011
Zhang Ligong	27 September, 2011
Wang Zhongling	13 November, 2012
<i>Non-executive Director</i>	
Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman	Appointed Independent Non-executive Director : 1 June, 2010  Re-designated as non-executive chairman : 4 October, 2010
<i>Independent Non-executive Directors</i>	
Pieter Lambert Diaz Wattimena	25 March, 2010
Kwan King Wah	27 August, 2012
Zeng Min	27 August, 2012

Mr. Chong Cha Hwa, Brandson was appointed a Director on 1 July, 2012 and resigned as an executive Director and authorised representative of the Company under the Hong Kong Companies Ordinance with effect from 13 November, 2012 to focus on pursuing personal and other business commitments.

On 13 November, 2012, Mr. Wang Zhongling was appointed to fill the casual vacancy that arose on the resignation of Mr. Chong.

## RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company was suspended from 9:01 a.m. on 21 September, 2012 pending the release of this announcement. An application has been made by the Company to The Stock Exchange of Hong Kong Limited for the resumption of trading in the shares of the Company with effect from 9:00 a.m. on 20 December, 2012.

The Company will make further announcements if and when further material information is available.

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

Hong Kong, 19 December, 2012

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

*Executive Directors:*

Li Jinglong  
Zhang Ligong  
Wang Zhongling

*Non-executive Director:*

Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman

*Independent Non-executive Directors:*

Pieter Lambert Diaz Wattimena  
Kwan King Wah  
Zeng Min

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\* *For purpose of identification only*