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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Shares or other securities in the Company.

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)

DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF 55% EQUITY INTEREST IN MOST IDEAS LIMITED AND NOTICE OF SPECIAL GENERAL MEETING

A notice of the SGM to be held at Lot 1, Jalan Teknologi 3/5, Taman Sains Selangor 1, Kota Damansara, 47810 Petaling Jaya, Selangor, Malaysia, on Monday, 25 June 2012, at 11:00 a.m. (Hong Kong Time) is set out on pages 30 to 32 of this circular.

If you are a Shareholder and are not able to attend the SGM, you are requested to complete and return the enclosed Form of Proxy in accordance with the instructions printed thereon and any power of attorney or other authority (if any) under which it is signed, or a certified copy of that power of attorney, to Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, or, to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, United Kingdom as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM.

If you are not a registered Shareholder but hold your Shares in uncertificated form through Depository Interests, you are requested to complete and return the enclosed Form of Direction in accordance with the instructions printed thereon and any power of attorney or other authority (if any) under which it is signed, or a certified copy of that power of attorney, to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, United Kingdom as soon as possible but in any event not less than 72 hours before the time appointed for holding the SGM.

Completion and return of the Form of Proxy or Form of Direction will not preclude Shareholders or Depository Interest Holders from attending and voting in person at the SGM, or any adjournment thereof, should they so wish and in such event the Form of Proxy shall be deemed to be revoked.

* For purpose of identification only

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DEFINITIONS

In this circular, unless the context otherwise requires, the following words and expressions shall have the following meanings ascribed to them respectively:

“Acquisition”	the proposed acquisition of the Sale Shares pursuant to the Sale and Purchase Agreement
“AIM”	the AIM market operated by the LSE
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	RCG Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Stock Exchange and traded on AIM and PLUS
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Sale and Purchase Agreement
“connected person(s)”	has the same meaning ascribed to it in the Listing Rules
“Consideration”	the consideration of HK\$88,700,000 payable by the Purchaser for the Sale Shares under the Sale and Purchase Agreement
“Conversion Price”	the conversion price of the Convertible Notes, being HK\$0.85 per Conversion Share
“Conversion Share(s)”	new Shares to be issued by the Company upon exercise of the conversion rights attached to the Convertible Notes
“Convertible Notes”	the convertible notes in the aggregate principal amount of HK\$88,700,000 with interest rate of 2% per annum to be issued by the Company to satisfy the Consideration
“Depository”	Capita IRG Trustees Limited
“Depository Interests” or “DIs”	the depository interests representing entitlements to Shares on a one-for-one basis
“Depository Interest Holders”	holders of Depository Interests
“Director(s)”	the director(s) of the Company
“Forecast Revenue”	forecast revenue of MGIE Group of HK\$37.8 million for the year ending 31 December 2012

DEFINITIONS

“Form of Direction”	the form of direction for use by Depository Interest Holders at the SGM
“Form of Proxy”	the form of proxy for use by Shareholders at the SGM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Date”	23 April 2012, being the trading day of the Shares on the Stock Exchange on the date of the signing of the Sale and Purchase Agreement
“Latest Practicable Date”	6 June 2012, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LSE”	London Stock Exchange plc
“MGI”	MG Interactive Limited, the wholly-owned subsidiary of the Target
“MGIE”	MG Interactive Entertainment Limited, the wholly-owned subsidiary of the Target
“MGIE Group”	MGI and MGIE
“PLUS”	a market operated by PLUS Stock Exchange plc, a subsidiary of PLUS Markets Group plc
“Purchaser”	RCG International Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the agreement to acquire the Sale Shares entered into between the Purchaser and the Vendor dated 23 April 2012
“Sale Shares”	27,500 ordinary shares of US\$1.00 each in the Target representing 55% of the issued share capital of the Target

DEFINITIONS

“SGM”	the special general meeting of the Company to be held at 11:00 a.m. (Hong Kong Time) on 25 June 2012 at Lot 1, Jalan Teknologi 3/5, Taman Sains Selangor 1, Kota Damansara, 47810 Petaling Jaya, Selangor, Malaysia to consider the ordinary resolutions to be proposed to approve, among other things, the grant of the Specific Mandate
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s) and where the context requires, Depository Interest Holders
“Specific Mandate”	the specific mandate to be obtained from the Shareholders at the SGM for the allotment and issuance of the Conversion Shares falling to be issued upon the exercise of the conversion rights attached to the Convertible Notes
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Target”	Most Ideas Limited, a company incorporated in the British Virgin Islands with limited liability and is owned as to 55% by the Vendor and 45% by Golden Matrix Holdings Limited as at the Latest Practicable Date
“Target Group”	the Target, MGI and MGIE
“Valuation”	fair value of a 100% equity interest of MGIE Group of approximately HK\$203 million as at 2 May 2012
“Valuer”	GA Valuation Limited, an independent professional valuer
“Vendor”	Crossover Global Limited, a company incorporated in the British Virgin Islands which owns 55% of the issued share capital of the Target as at the Latest Practicable Date
“%”	per cent

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)

Executive Directors:

Li Jinglong
Zhang Ligong

Non-executive Directors:

Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman
Raymond Chu Wai Man

Independent non-executive Directors:

Li Mow Ming, Sonny
Liu Kwok Bond
Pieter Lambert Diaz Wattimena

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Principal place of business
in Hong Kong:*

Room 626–629
Corporation Park
11 On Lai Street
Siu Lek Yuen
Sha Tin, New Territories
Hong Kong

*Principal place of
business outside Hong Kong:*

Lot 1, Jalan Teknologi 3/5
Taman Sains Selangor 1
Kota Damansara
47810 Petaling Jaya
Selangor, Malaysia

8 June 2012

To Shareholders and Depository Interest Holders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION
IN RELATION TO
ACQUISITION OF 55% EQUITY INTEREST IN
MOST IDEAS LIMITED
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

We refer to the announcement of the Company dated 23 April 2012 in relation to the Acquisition. Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell, the Sale Shares,

* For purpose of identification only

LETTER FROM THE BOARD

representing 55% of the issued share capital of the Target for a total consideration of HK\$88,700,000 which will be satisfied by the issue of the Convertible Notes at Completion. The Conversion Shares falling to be issued upon the exercise of the conversion rights attached to the Convertible Notes will be issued pursuant to the Specific Mandate to be sought at the SGM.

At the SGM, an ordinary resolution will be proposed to seek Shareholders' approval for the granting of the Specific Mandate to the Directors.

The purpose of this circular is to provide you further information regarding (i) details of the Convertible Notes; (ii) the grant of the Specific Mandate to the Directors; and (iii) a notice convening the SGM.

THE SALE AND PURCHASE AGREEMENT

On 23 April 2012 (after trading hours in Hong Kong), the Purchaser and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to dispose of the Sale Shares, representing 55% of the issued share capital of the Target for a total consideration of HK\$88,700,000.

Date

23 April 2012 (after trading hours in Hong Kong)

Parties

1. The Purchaser: RCG International Holdings Limited
2. The Vendor: Crossover Global Limited

The Vendor is an investment holding company and is owned as to 45% by Mr. Chan Chun Fai, 29% by Mr. Qin Chuhua and 26% by Mr. Yang Zhijian. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at the Latest Practicable Date, the Vendor and its ultimate beneficial owners, namely, Mr. Chan Chun Fai, Mr. Qin Chuhua and Mr. Yang Zhijian are third parties independent of the Company and its connected persons.

The Company came to know the Vendor through its normal business dealings and contacts. Discussions were carried out on possible partnership with the Vendor either through possible acquisition or merger with the Company since early 2012, followed by the execution of the Sale and Purchase Agreement on 23 April 2012.

Assets to be acquired

The Sale Shares represent 55% of the issued share capital of the Target. As at the Latest Practicable Date, the Target is owned 55% by the Vendor and 45% by Golden Matrix Holdings Limited. Upon Completion, the Target will become an indirect non-wholly

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owned subsidiary of the Company and will be owned 55% by the Purchaser and 45% by Golden Matrix Holdings Limited. Golden Matrix Holdings Limited is an investment holding company, which is owned as to 55% by Mr. Chan Chun Fai and as to 45% by Mr. Liu Jigang. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Golden Matrix Holdings Limited, Mr. Chan Chun Fai and Mr. Liu Jigang are third parties independent of the Company and its connected persons.

Consideration

Pursuant to the terms of the Sale and Purchase Agreement, the Consideration of HK\$88,700,000 will be satisfied by the issue of the Convertible Notes at Completion.

The Consideration was arrived at after arm's length negotiation between the Purchaser and the Vendor and was determined with reference to, including but not limited to, (i) the Valuation of approximately HK\$203 million as at 2 May 2012 as prepared by the Valuer adopting a market approach; and (ii) the future prospects of the business of the Target Group.

The Company has engaged the Valuer to carry out a valuation on MGIE Group at the time of circular preparation following the receipt of a letter from the valuer disclosed in the announcement of the Company dated 23 April 2012 in relation to the Acquisition, requesting the Company not to make reference to the content of the valuation report prepared by it in any circular without its prior consent. As such, the Company updated the valuation of MGIE Group according to the valuation report prepared by the Valuer.

The Valuation is signed off by Mr. Teddy Iu. Mr. Iu, FCMA, CGMA, FCPA, is a Professional Member of the National Association of Certified Valuators and Analysts, Fellow Chartered Management Accountant and Fellow Certified Public Accountant, who has more than 10 years of practical experience in business valuation. In addition, Mr. Iu has also participated in a number for business valuation exercises for listed companies in Hong Kong recently. Based on the foregoing, the Company considers the Valuer has the qualifications and experience to prepare the Valuation.

The valuation report of MGIE Group prepared by the Valuer is set out in Appendix 1. In arriving at the Valuation, reference is made to the Forecast Revenue of HK\$37.8 million.

Given the business nature of MGIE Group, its value derives from its business prospects and income generating ability instead of its asset base. Therefore, the Valuation was not determined based on its net asset value as MGI and MGIE are not asset-based companies.

MGIE Group is an information technology company whose businesses are indirectly related to the Group's core business. In view of the prospects of the businesses operated by MGIE Group, the Group will explore the opportunities to incorporate its RFID technologies to the businesses operated by MGIE Group with the view of complementing the existing security algorithm business of the Group while concurrently gaining new income through the products and services provided by MGIE Group.

LETTER FROM THE BOARD

Since the businesses of MGIE Group are analogous to the existing core business of the Group, both being information technology related, the Board has indirect experience in the businesses of MGIE Group. As such, leveraging on the Board's experience in the Group's operation, being an information technology related company which focuses on the security aspect, this allows the Board to assess the reasonableness of the Forecast Revenue of MGIE Group.

The management of the Company has (i) reviewed the business plan, financial information and the Forecast Revenue; (ii) reviewed the valuation report prepared by the Valuer; (iii) discussed the valuation assumptions with the Valuer; and (iv) separately and specifically enquired the Valuer as to the fairness and reasonableness of the Forecast Revenue. It is noted that both the representative of the Board and the Valuer had conducted interviews and discussed with senior management of MGIE Group in assessing the reasonableness of the Forecast Revenue. In addition, information from several sources have been reviewed by both the representative of the Board and the Valuer, including, but not limited to, (i) background information in relation to business operations and revenue model of MGIE Group and strong growth history of MGIE Group which illustrated a combined revenue growth of approximately 81%, 8% and 66% in 2009, 2010 and 2011. In 2010, as a result of reallocation of MGIE Group's resources in redeveloping and reinventing new applications and methodologies for its products range to catch up with the rapid technological changes, less resources were allocated for sales and marketing activities. Therefore, it resulted in a lower combined revenue growth of MGIE Group in 2010 than in 2009 and 2011; (ii) high growth trend and significant growth potential of mobile entertainment applications market, mobile advertising market and social gaming market; (iii) existing business contracts provided by MGIE Group which represent approximately 47% of the Forecast Revenue; (iv) financial statements of MGIE Group which indicated the financial performance of MGIE Group, being the principal operating companies of the Target Group. On a combined basis, the revenue and profits after taxation of MGIE Group indicated a growth of approximately 66% and 4.85 times in 2011; and (v) other operational and market information in relation to MGIE Group's businesses. After considering (i) the historical revenue of MGIE Group; (ii) the actual revenue of MGIE Group in 2012; (iii) a non-legally binding letter of intent ("LOI") entered into by MGIE Group with an advertising company for a duration of two years from 1 April 2012 to 31 March 2014. The estimated revenue to be derived from the LOI in 2012 represents approximately 40% of the Forecast Revenue; and (iv) the growth in revenue resulting from new customers of MGIE Group, as part of the analysis of Valuer and in response to the Company's enquiry, the Valuer considers the Forecast Revenue to be fair and reasonable. Based on the foregoing, the management of the Company concurs with the Valuer and considers the Forecast Revenue to be fair and reasonable.

The Consideration represents a discount of approximately 20.56% to the fair value of the 55% equity interest in MGIE Group (being the principal operating companies of the Target Group) which amounted to approximately HK\$111.65 million as assessed by the Valuer. As such, the Directors consider the Consideration to be fair and reasonable and in the interest of the Shareholders.

LETTER FROM THE BOARD

Prior to entering into the Sale and Purchase Agreement, the representative of the Board has met and held discussions with senior management of MGIE Group to understand the business model and future development of the MGIE Group. In addition, the representative of the Board has performed a financial due diligence review, a legal due diligence review and an official site visit of MGIE Group, including but not limited to (i) a review of the basic corporate documents to understand the MGIE Group's history, shareholding structure and group structure; (ii) a review of the financial information of the MGIE Group to understand its historical financial performance and financial forecast; and (iii) conducting a litigation search of the MGIE Group. In view of the above, the Company is satisfied with the results of the due diligence review of the MGIE Group to proceed with the Acquisition.

Conditions precedent

Pursuant to the Sale and Purchase Agreement, Completion shall be conditional upon:

- (a) approval of the grant of the specific mandate to allot and issue the Conversion Shares, by the Shareholders permitted to vote on the relevant resolutions under the Listing Rules and such approval not having been proposed to be revoked;
- (b) the granting by the Listing Committee of the Stock Exchange of a listing of and permission to deal in the Conversion Shares; and
- (c) the representations, warranties and undertakings given by the Vendor as set out in the Sale and Purchase Agreement remaining true and accurate in all respects and not misleading in any respect as of the date of Completion by reference to the facts and circumstances subsisting as at the date of Completion.

If the aforementioned conditions are not fulfilled on or before 31 August 2012 (or such other date as agreed by the parties thereto), the Sale and Purchase Agreement shall lapse and no party of the Sale and Purchase Agreement shall have any claim against or liability to the other party, save in respect of any antecedent breaches of the Sale and Purchase Agreement.

Completion

Completion shall take place at a place to be agreed by the parties within 5 Business Days immediately following the date of the satisfaction of the conditions precedent as set forth in the Sale and Purchase Agreement.

Upon Completion, the Target will become an indirect non-wholly owned subsidiary of the Company which will be owned as to 55% by the Purchaser and 45% by Golden Matrix Holdings Limited.

LETTER FROM THE BOARD

Convertible Notes

The principal terms of the Convertible Notes (which were included in the Sale and Purchase Agreement executed by the Purchaser and the Vendor) are as follows:

Issuer:	The Company
Principal amount:	HK\$88,700,000
Interest:	2% per annum
Maturity:	The date falling 3 years from the date of issue of the Convertible Notes.
Conversion price:	HK\$0.85 per Conversion Share.

The Conversion Price will be subject to adjustment provisions including among others, share subdivision or consolidation, capitalization of profits or reserves, capital distribution, rights issues of Shares and other securities, options over Shares, other issues at less than market price, modification of rights of conversion and other events, details of which were described in the terms and conditions of the Convertible Notes.

Conversion rights:	Unless redemption notice shall have been previously given by the Company to the holder(s) of the Convertible Notes, the holder(s) of the Convertible Notes shall have the right to convert the whole or any part of the outstanding principal amount of the Convertible Notes (other than that part of the principal amount of the Convertible Notes to which the relevant redemption notice relates) into Shares at any time following the date of issue of the Convertible Notes until 4:00 p.m. on the maturity date at the Conversion Price. Any conversion shall be made in the amount of HK\$5,000,000 or the multiples thereof and if any time, the outstanding principal amount of the Convertible Notes shall be less than HK\$5,000,000, the whole (but not part only) of the outstanding principal amount of the Convertible Notes shall be convertible.
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LETTER FROM THE BOARD

No conversion shall take place if:

- 1) the holder of the Convertible Notes and parties acting in concert with it shall be interested (whether directly or indirectly) in 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the then issued share capital of the Company at the date of the relevant exercise; or
- 2) immediately after such conversion, the public float of the Shares falls below the minimum public float requirements stipulated under the Listing Rules or as required by the Stock Exchange.

Conversion Shares: Upon full conversion of the Convertible Notes at the Conversion Price, an aggregate of 104,352,941 Conversion Shares will be issued, representing approximately 21.16% of the existing issued share capital of the Company and 17.46% of the issued share capital of the Company as enlarged by the issue of Conversion Shares upon full conversion of the Convertible Notes.

Early redemption: The Company may, by giving the holder(s) of the Convertible Notes not less than 14 days prior written notice specifying the principal amount of the Convertible Notes to be redeemed and the date of such redemption, at any time after the date of issue of the Convertible Notes redeem the Convertible Notes (or part thereof) at a value equal to the principal amount of the Convertible Notes plus the relevant interest calculated up to the redemption date to be redeemed as specified in the redemption notice. Any such redemption shall be made in amount of not less than a whole multiple of HK\$5,000,000.

Repayment: The outstanding principal amount of the Convertible Notes (together with interests) shall, unless previously redeemed by the Company, or converted into Shares or repaid in accordance with the terms and conditions of the Convertible Notes, be repaid at maturity. The Company may extend the maturity date on the same terms by 3 years at the sole discretion of the Company. The Convertible Notes may not be repaid otherwise than in accordance with the terms and conditions of the Convertible Notes.

LETTER FROM THE BOARD

The Company will consider extending the maturity date of the Convertible Notes if the Directors considered that such extension will be in the interest of the Group. The Directors will make reference to including but not limited to the Group's financial performance, financial position, gearing level, working capital requirement, financial resources available, fund raising ability, business strategies and development, Share price trend and market condition at the time of considering such extension.

Voting rights:	The Convertible Notes do not confer any voting rights at any meetings of the Company.
Listing:	No application will be made for the listing of the Convertible Notes on the Stock Exchange or any other stock exchange.
Transferability:	The Convertible Notes (or any part thereof) are transferable. The Convertible Notes may not be transferred by the holder(s) of the Convertible Notes, without the prior written consent of the Company, to any connected person of the Company.

Conversion price of the Convertible Notes

The Conversion Price of HK\$0.85 represents:

- (i) a discount of approximately 5.56% to the closing price of HK\$0.90 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 7.61% to the average of the closing prices of approximately HK\$0.92 per Share for the 5 consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 8.60% to the average of the closing prices of HK\$0.93 per Share for the 10 consecutive trading days up to and including the Last Trading Day; and
- (iv) a premium of approximately 16.44% to the closing price of HK\$0.73 per Share as quoted on the Latest Practicable Date.

The Conversion Price has been arrived at after arm's length negotiation between the Company and the Vendor, with reference to, among other things, the recent trend of the Share price performance and the prevailing market price of the Shares.

LETTER FROM THE BOARD

The maximum of 104,352,941 Conversion Shares to be issued upon full conversion of the Convertible Notes represent approximately:

- (i) 21.16% of the existing issued share capital of the Company; and
- (ii) 17.46% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Notes.

The Conversion Shares shall rank *pari passu* in all respects with the Shares then in issue on the date of allotment and issue thereof. The Company will seek the Specific Mandate from the Shareholders at the SGM for the allotment and issue of the Conversion Shares.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. Application will also be made for the Conversion Shares to be admitted to trading on AIM.

INFORMATION ON THE TARGET GROUP

The Target is an investment holding company incorporated in the British Virgin Islands with limited liability on 3 January 2012. The Target has two wholly-owned subsidiaries, namely MGI and MGIE, which were incorporated in Hong Kong on 21 June 2006 and 6 March 2007 respectively. MGI and MGIE are the principal operating companies of the Target Group both were acquired by the Target on 23 February 2012.

Prior to acquisition by the Target, Mr. Chan Chun Fai was the sole ultimate beneficial owner of each of MGI and MGIE. After acquisition of MGI and MGIE by the Target, the ultimate beneficial owners of each of MGI and MGIE are Mr. Chan Chun Fai, Mr. Qin Chuhua, Mr. Yang Zhijian and Mr. Liu Jigang with Mr. Chan Chun Fai being the single largest ultimate beneficial owner. As such, Mr. Chan Chun Fai remains as the single largest ultimate beneficial owner of each of MGI and MGIE prior to and after acquisition of MGI and MGIE by the Target.

Management team of each of MGI and MGIE also remains the same both prior to and after acquisition of MGI and MGIE by the Target.

MGI specialises in focusing on Web 2.0 projects and mobile marketing solutions.

MGIE focuses on developing entertainment applications for various mobile phone platforms such as iOS, Android, etc.

LETTER FROM THE BOARD

Prior to acquisition by the Target, according to the audited financial statements of MGI and MGIE which have been prepared in accordance with Hong Kong Financial Reporting Standards, set out below is certain financial information on MGI and MGIE for the two years ended 31 December 2011:

MGI	Year ended 31 December	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	6,529	5,295
Profits before taxation	1,070	517
Profits after taxation	893	432
Net assets	1,348	455

MGIE	Year ended 31 December	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3,949	1,021
Profits before taxation	3,510	285
Profits after taxation	3,299	285
Net assets/(liabilities)	1,936	(1,363)

Currently, the Target Group consists of the Target, MGI and MGIE.

According to the audited consolidated financial statements of the Target (which have been prepared in accordance with Hong Kong Financial Reporting Standards) from 3 January 2012 (the date of incorporation) to 29 February 2012, the profits before taxation and after taxation of the Target Group were approximately HK\$863,000 and HK\$721,000 respectively. The consolidated net assets of the Target Group as at 29 February 2012 were approximately HK\$3,414,000, including trade and other receivables of approximately HK\$6,885,000 and an amount due to a director of approximately HK\$3,931,000.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is a holding company and the Group is principally engaged in developing, sourcing and selling biometric and radio frequency identification (RFID) products and solutions services in the Asia Pacific and the Middle East regions.

It is the corporate strategy of the Group to strengthen its existing businesses while concurrently identifying and capitalising on new opportunities to achieve financial growth for the Group and to maximise Shareholders' value. In view of growing internet penetration and the explosion of the smartphone market, the Directors consider that there will be a growing popularity of mobile marketing together with a surge in demand for various mobile applications. Having considered the MGIE Group's specialisation in providing advertising

LETTER FROM THE BOARD

solutions and entertainment applications for mobile platforms, the Directors consider the Acquisition a strategically important opportunity for the Group to expand and diversify its business portfolio.

Upon Completion, the Target will become a 55% indirect non-wholly owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the Group's financial statements.

The Directors consider that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

SHAREHOLDING STRUCTURE

Set out below are the shareholding structures of the Company (i) as at the Latest Practicable Date; and (ii) immediately after Completion and assuming full conversion of the Convertible Notes:

Shareholders	As at the Latest Practicable Date		Immediately after Completion and assuming full conversion of the Convertible Notes	
	No. of Shares	%	No. of Shares	%
Vendor	—	—	104,352,941	17.46
Kung Nina (Estate of late Nina Kung also known as Nina T.H. Wang)	65,662,832	13.31	65,662,832	10.99
Veron International Limited (Note 1)	65,662,832	13.31	65,662,832	10.99
Lai Kar Yan, Derek (Note 1)	65,662,832	13.31	65,662,832	10.99
Lo Kin Ching Joseph (Note 1)	65,662,832	13.31	65,662,832	10.99
Lam Hok Chung Rainier (Note 1)	65,662,832	13.31	65,662,832	10.99
Jong Yat Kit (Note 1)	65,662,832	13.31	65,662,832	10.99
The Offshore Group Holdings Limited (Note 2)	53,515,556	10.85	53,515,556	8.96
Chan Chun Chuen (Note 2)	53,515,556	10.85	53,515,556	8.96
Tam Miu Ching (Note 2)	53,515,556	10.85	53,515,556	8.96
Public				
Public Shareholders	374,045,167	75.84	374,045,167	62.59
Total	<u>493,223,555</u>	<u>100.00</u>	<u>597,576,496</u>	<u>100.00</u>

Notes:

- The beneficial owner of Veron International Limited is the estate of the late Kung Nina (also known as Nina T. H. Wang). Mr. Lai Kar Yan, Derek, Mr. Lo Kin Ching Joseph, Mr. Lam Hok Chung, Rainier and Mr. Jong Yat Kit are Joint and Several Administrators pendente lite of the Estate of Ms. Kung Nina.

LETTER FROM THE BOARD

2. *The entire issued share capital of The Offshore Group Holdings Limited 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).*

GENERAL

As some of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

The Company will seek the Specific Mandate from the Shareholders at the SGM for the approval of the allotment and issue of the Conversion Shares falling to be issued upon the exercise of the conversion rights attached to the Convertible Notes.

To the best of the Directors' knowledge, information and belief after having made all reasonable and necessary enquiries, no Shareholder is required to abstain from voting at the SGM on the resolution granting the Directors the Specific Mandate.

The English text of this circular shall prevail over the Chinese text.

THE SGM

The SGM will be convened at 11:00 a.m. (Hong Kong Time) on Monday, 25 June 2012 at Lot 1, Jalan Teknologi 3/5, Taman Sains Selangor 1, Kota Damansara, 47810 Petaling Jaya, Selangor, Malaysia for the Shareholders to consider, and if thought fit, pass an ordinary resolution to approve the grant of the Specific Mandate to the Directors, by way of poll.

ACTION TO BE TAKEN WITH REGARDS TO THE SGM

The notice of the SGM is set out on pages 30 to 32 of this circular.

If you are a Shareholder and are not able to attend the SGM, you are requested to complete and return the enclosed Form of Proxy in accordance with the instructions printed thereon and any power of attorney or other authority (if any) under which it is signed, or a certified copy of that power of attorney, to Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, or, to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, United Kingdom as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM.

If you are not a registered Shareholder but hold your Shares in uncertificated form through Depository Interests, you are requested to complete and return the enclosed Form of Direction in accordance with the instructions printed thereon and any power of attorney or other authority (if any) under which it is signed, or a certified copy of that power of

LETTER FROM THE BOARD

attorney, to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, United Kingdom as soon as possible but in any event not less than 72 hours before the time appointed for holding the SGM.

Completion and return of the Form of Proxy will not preclude Shareholders from attending and voting at the SGM, or any adjournment thereof, if they so wish and in such event the relevant Form of Proxy shall be deemed to be revoked. If you hold your Shares via the Depository Interest arrangement and would like to attend the SGM, please contact the Depository, Capita IRG Trustees Limited, by emailing custodymgt@capitaregistrars.com.

RECOMMENDATION

The Board consider that (i) the Sale and Purchase Agreement; (ii) the Acquisition; and (iii) the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attached to the Convertible Notes are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution as set out in the notice of the SGM.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purposes of giving information with regards to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

Yours faithfully,
On behalf of the Board
RCG Holdings Limited
Li Jinglong
Director

GA VALUATION LIMITED
天基評估有限公司

20/F., Ka Wah Bank Centre,
232 Des Voeux Road Central
Hong Kong

2 May 2012

RCG Holdings Limited
Room 626–629, Corporation Park
11 On Lai Street, Siu Lek Yuen
Sha Tin, New Territories
Hong Kong

Attn: The Board of Directors

Our Ref: GAV/TI/R201220

Dear Sirs,

Re: The 100 Percent Equity Interest in the Business Enterprise of MGIE Group

In accordance with your instructions for us to carry out an appraisal of the fair value of the 100 percent equity interest in MG Interactive Entertainment Limited (hereinafter referred to as the “MGIE”) and MG Interactive Limited (hereinafter referred to as the “MGI”), collectively referred to as the MGIE Group (hereinafter referred to as the “Business Enterprise”), we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the fair value of the Business Enterprise as at 2 May 2012 (hereinafter referred to as the “Valuation Date”).

This report states the purpose of appraisal and scope of our work, identifies the business appraised, describes the basis and methodology of our appraisal, investigation and analysis, assumptions and limiting conditions, and presents our opinion of value.

1.0 PURPOSE OF APPRAISAL

GA Valuation Limited (hereinafter referred to as “GA Valuation”) acknowledges that this report is being prepared solely for the use of the directors and management of RCG Holdings Limited (hereinafter referred to as the “Company”). The Company is a public company listed on the Stock Exchange of Hong Kong Limited (hereinafter referred to as the

“Stock Exchange”). The Business Enterprise is a group comprising two principal operating companies, MGI and MGIE, which were private limited companies incorporated in Hong Kong on 21 June 2006 and 6 March 2007 respectively.

This report is not to be used for any purpose other than that mentioned above, including issue to third parties, without our prior approval of the use, form and context in which it is released. GA Valuation assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely on their own risk.

2.0 SCOPE OF WORK

Our appraisal conclusions are based on the assumptions stated herein and on information provided by the management of the Business Enterprise or its representative (hereinafter referred to as the “Management”). In preparing this report, we have had discussions with the Management and the Company in relation to the development and prospects of the mobile applications and advertising industry, and the development, operations and other relevant information of the Business Enterprise.

As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Business Enterprise provided to us by the Management and the Company and have considered such information and data as attainable and reasonable. We have no reason to believe that any material facts have been withheld from us, however, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

We do not express an opinion as to whether the actual results of the business operation of the Business Enterprise will approximate those projected because assumptions regarding future events by their nature are not capable of independent substantiation. In applying these projections to the appraisal of the fair value of the Business Enterprise, we are making no representation that the business expansion will be successful, or that market growth and penetration will be realized.

3.0 ECONOMIC OVERVIEW

3.1 Global Prospects

According to a recent report, World Economic Outlook, published in April 2012 by the International Monetary Fund (hereinafter referred to as the “IMF”), global prospects are gradually strengthening again after suffering a major setback during 2011, but downside risks remain elevated. Improved activity in the United States during the second half of 2011 and better policies in the euro area in response to its deepening economic crisis have reduced the threat of a sharp global slowdown.

Weak recovery will likely resume in the major advanced economies, and activity is expected to remain solid in most emerging and developing economies. Global growth is projected to drop from about 4 percent in 2011 to about 3.5 percent in 2012 because of

weak activity during the second half of 2011 and the first half of 2012, mainly on account of the damage caused by deteriorating sovereign and banking sector developments in the euro area.

The IMF economists expect that the euro area will go into a mild recession in 2012 as a result of the sovereign debt crisis and a general loss of confidence, the effects of bank de-leveraging on the real economy, and the impact of fiscal consolidation in response to market pressure. The spillovers from the euro area crisis will severely affect the rest of Europe; other economies will likely experience further financial volatility but no major impact on activity unless the euro area crisis intensifies once again.

Because of the problems in Europe, activity will continue to disappoint for the advanced economies as a group, expanding by only about 1.5 percent in 2012 and by 2 percent in 2013. Real gross domestic product (“GDP”) growth in the emerging and developing economies is projected to slow from 6.25 percent in 2011 to 5.75 percent in 2012 but then to reaccelerate to 6 percent in 2013, helped by easier macroeconomic policies and strengthening foreign demand.

3.2 Historical Perspective of the PRC Economy

Historical data of GDP provided by the IMF World Economic Outlook Database (April 2012 edition) shows the development of the PRC economy (estimate for 2011) in United States Dollars (“USD”) in Chart 3.1 below.

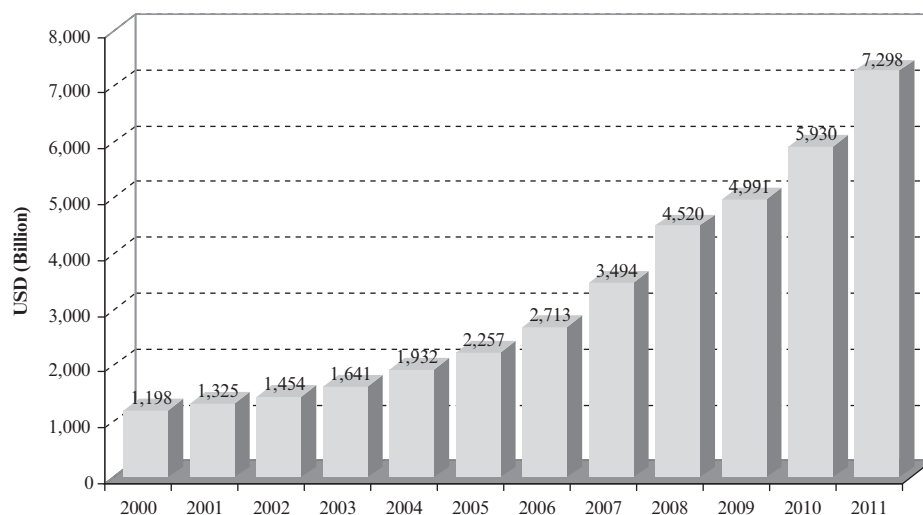


Chart 3.1 — GDP (Current Prices) for the PRC

3.3 Asia Pacific Prospects

Much weaker external demand has dimmed the outlook for Asia. But resilient domestic demand in China, limited financial spillovers, room for policy easing, and the capacity of Asian banks to step in as European banks de-leverage suggest that the soft landing under way is likely to continue. Activity across Asia slowed during the last quarter of 2011, reflecting both external and domestic developments.

The effect of spillovers from Europe can be seen in the weakness of Asia's exports. In some economies, such as India, domestic factors also contributed to the slowdown, as a deterioration in business sentiment weakened investment and policy tightening raised borrowing costs. The historic floods that hit Thailand significantly curtailed their growth in the last quarter of 2011, shaving 2 percentage points off the annual growth, and led to negative spillovers on regional economies.

In some other Asian economies, however, robust domestic demand helped offset the drag on growth of slowing exports. Investment and private consumption remained strong in the PRC, buoyed by solid corporate profits and rising household income. Moreover, the rebound from the supply chain disruptions caused by the Japanese earthquake and tsunami was stronger than anticipated.

The following table summarized the GDP growth for countries in the region as estimated by the IMF World Economic Outlook Database (April 2012 edition). It is expected that growth in the PRC will remain strong and steady in the range of 9 to 10 percent per annum.

Country	2011	2012	2013	2014	2015	2016	2017
Australia	19.51	6.57	4.13	3.52	3.70	3.40	5.40
Hong Kong	8.53	7.06	7.11	7.46	7.47	7.41	7.38
India	4.89	6.15	10.25	10.29	10.21	10.25	10.56
Indonesia	19.39	9.77	13.65	15.11	14.80	14.26	13.73
Japan	6.94	1.90	1.33	2.42	2.65	2.49	2.52
Korea	9.99	4.24	6.84	7.26	7.25	7.24	7.26
Malaysia	17.19	9.74	7.84	8.15	8.15	8.15	8.15
New Zealand	14.96	11.55	4.02	2.79	3.14	2.56	4.47
Philippines	6.78	6.78	6.76	7.14	7.23	7.34	7.44
PRC	23.06	9.50	9.83	9.85	9.74	9.62	9.61
Singapore	14.28	3.91	4.32	4.52	4.52	4.55	4.48
Taiwan	8.52	2.92	8.18	8.25	8.33	8.54	8.38
Thailand	8.39	9.12	10.11	6.28	6.01	5.63	5.73
Vietnam	18.49	10.34	9.24	9.19	8.60	8.39	8.46

4.0 ADVERTISING AND INTERNET INDUSTRY

4.1 Global Advertising Market

Advertising spending in 2009 suffered the sharpest decline due to the economic downturn in 2008 after years of growth. However, global advertising spending is expected to grow slowly again, from USD422 billion in 2009 to USD466 billion in 2011. The global advertising expenditure will reach USD546.9 billion in 2014 according to a report issued by ZenithOptimedia, a media services agency, in March 2012 and summarized by region in the following table.

Region (in million USD)	2010	2011	2012	2013	2014
North America	161,706	164,655	170,622	177,224	185,794
Western Europe	100,521	101,952	103,519	106,176	109,232
Asia Pacific	116,283	123,702	132,881	142,921	154,783
Central & Eastern Europe	23,464	25,349	27,003	29,451	32,363
Latin America	32,469	35,614	38,874	42,066	45,707
Middle East & North Africa	4,881	4,155	4,198	4,313	4,412
Rest of the World	10,731	11,419	12,197	13,263	14,596
World	<u>450,055</u>	<u>466,846</u>	<u>489,334</u>	<u>515,414</u>	<u>546,887</u>

Chart 4.1 visualize the above statistics and estimates, which shows a growth of approximately 6.38 percent for advertising spending in Asia Pacific in 2011 and estimates a growth of approximately 7.42 percent in 2012, 7.56 and 8.30 percent for 2013 and 2014, which is generally higher than their estimates for the global market.

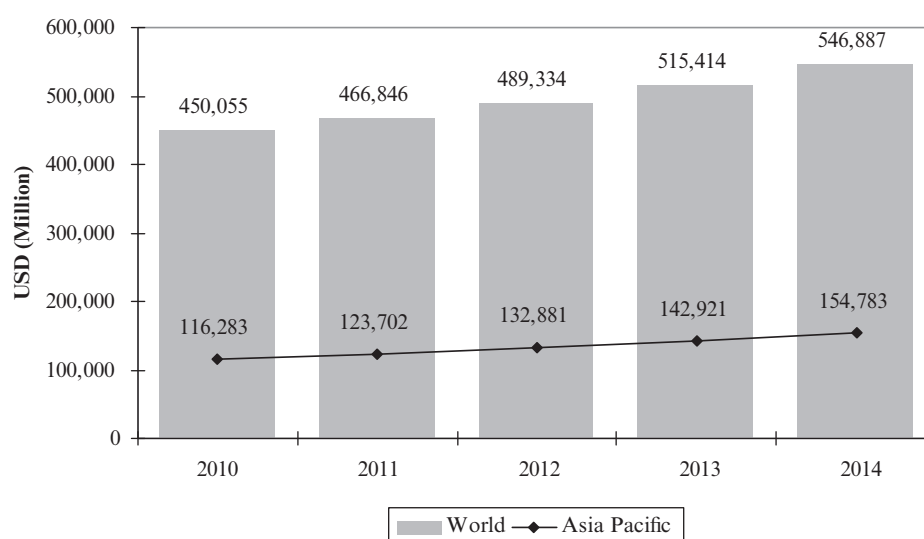


Chart 4.1 - Global Advertising Spending (2010 to 2014 Statistics & Estimates)

Dollar share of advertising spending for the internet medium as compared to the total spending is illustrated in chart 4.2 follows.

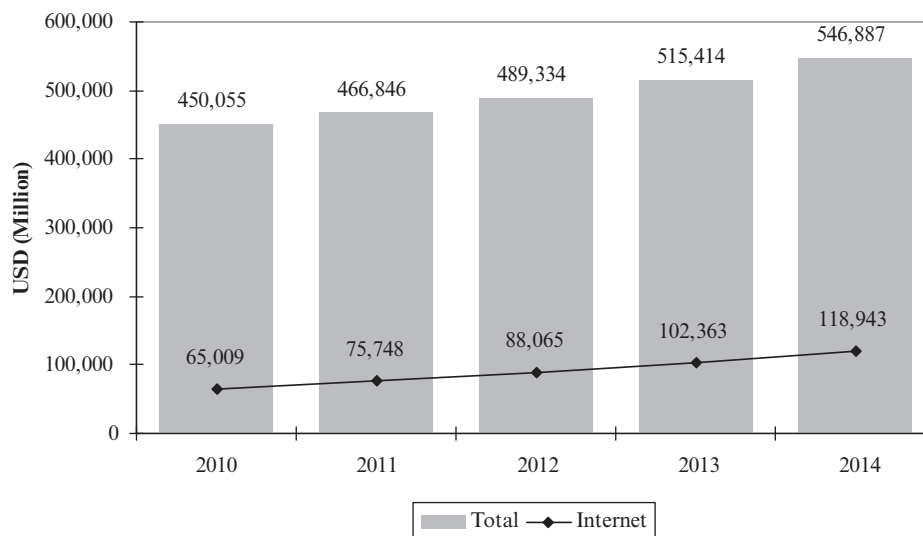


Chart 4.2 - Total Advertising Spending and Dollar Share by Internet

The outdoor medium continues to grow at an average of 5 percent per annum from 2011 to 2014, which approximates the overall growth in global advertising spending. Internet remains the fastest growing medium achieving an average of 16.31 percent annual growth over the next few years. Advertising spending estimates for 2011 was analyzed by medium and illustrated in chart 4.3, which shows a 16.23 percent share of advertising spending for the internet medium or USD75.75 billion in money value.

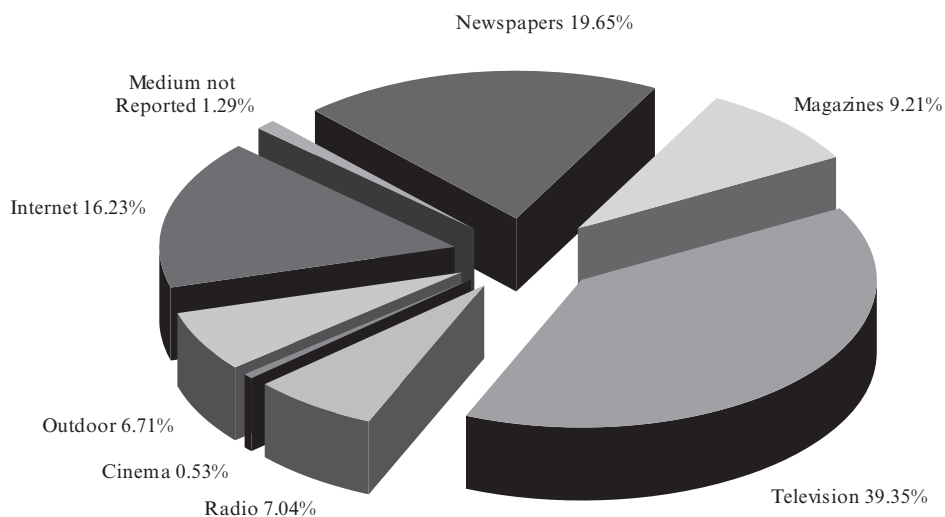


Chart 4.3 - Global Advertising Spending by Medium (2011)

4.2 Advertising Market and the Internet Medium

According to Magnaglobal, internet access is now critical for many of the largest advertisers in the world, even if their objectives cause them to prioritize television medium, online medium has become a clear number two in terms of budget importance, typically at the expense of print and radio. The heart of online advertising today lies in two key segments — endemics, and small and medium-sized enterprises (“SMEs”). Endemics include e-commerce players such as Amazon, eBay, Taobao (based in China), and any other entity with an online storefront.

The benefit of online medium can be seen in their unique feedback loops, commercial exposures can be tracked and associated with actions to optimize marketing efforts. Virtually all potential customers can be reached online, making the internet the primary medium for these marketers. SMEs present what we believe to be the other large, identifiable segment of online advertisers, due to smaller media budgets and fewer people to coordinate, this segment can more easily identify the impact of any given media campaign and can more cost-effectively accomplish its goals with the discrete and highly targeted units available through digital media.

The largest markets will remain the same through this time horizon, with the growth in the PRC accounting for the largest gains in years ahead, the PRC market will account for 9% of the world’s online advertising by 2016, up from 5% in 2011. In many countries, mobile advertising has been limited by widely varying device interfaces and capabilities and thus consumer experiences, but as the audience base of consumers with smartphones and mobile broadband is becoming larger, the advertising opportunity has become much clearer.

Although mobile media should increasingly converge with conventional fixed location web content in the future, there will be growth for the medium on a standalone basis for many years. Global mobile advertising should rise from USD2.7 billion in 2011 to USD6.6 billion by 2016, average growth of 19.4% each year according to Magnaglobal’s predictions.

5.0 THE BUSINESS ENTERPRISE

5.1 Brief History

The Business Enterprise is a group comprising two principal operating companies, MGI and MGIE, which were private limited companies incorporated in Hong Kong on 21 June 2006 and 6 March 2007 respectively. MGI specializes and focuses on Web 2.0 projects and mobile marketing solutions. MGIE focuses on developing entertainment applications for various mobile phone platforms, such as iOS, Android, etc.

5.2 Performance and Forecast

According to the forecast and audited financial statements provided by the Business Enterprise, gross turnover is summarized below:

<i>(in HKD thousand)</i>	2012	2011	2010
Gross Turnover	37,800	10,477	6,316

6.0 DEFINITION OF APPRAISAL

We have appraised the Business Enterprise on the basis of fair value. Fair value as used herein is defined as “the estimated amount for which an asset could be exchanged, or a liability settled, between willing parties in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

7.0 INVESTIGATION AND ANALYSIS

Our investigation included discussions with members of the management of the Business Enterprise in relation to the development and prospects of the mobile applications and advertising industry, and the development, operations and other relevant information of the Business Enterprise. In addition, we have made relevant inquiries and obtained such further information, statistical figures regarding the mobile applications and advertising industry from external public sources, as we consider necessary for the purpose of this appraisal.

As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Business Enterprise provided to us by the Management and the Company and have considered such information and data as attainable and reasonable. We have also consulted other sources of financial and business information.

The appraisal of an interest in the Business Enterprise requires consideration of all pertinent factors, which may or may not affect the operation of the business and its ability to generate future investment returns. The factors considered in this appraisal include, but not necessarily limited to, the following:

- The nature and prospect of the Business Enterprise.
- The financial condition of the Business Enterprise.
- The economic outlook in general and the specific economic environment and market elements affecting the business, industry and market.
- Renewal of relevant leases, licenses and agreements.
- The business risk of the Business Enterprise such as the ability in maintaining competent technical and professional personnel.

- Investment returns and market transactions of entities engaged in similar lines of business.

8.0 GENERAL APPRAISAL APPROACHES

There are three generally accepted approaches to obtain the fair value of the Business Enterprise, namely, the Market-Based Approach, the Asset-Based Approach and the Income-Based Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted in valuing business entities that is similar in nature.

8.1 Market-Based Approach

It values a business entity by comparison of the prices at which other similar business nature companies or interests changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to pay for an equally desirable alternative.

By adopting this approach, the valuer will first look for valuation indication from the prices of other similar companies or equity interests in companies that were sold recently. The right transactions employed in analyzing for indications of value need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

The derived multiples (most commonly used are: price to earnings, price to revenues and price to book multiple) based on analyses of those transactions are then to be applied to the fundamental financial variables of the subject business entity and to arrive at an indicated value of it.

8.2 Asset-Based Approach

The Asset-Based Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital (equity and long term debt).

In other words, the value of the business entity is represented by the money that has been made available to purchase the business assets needed. This money comes from investors who buy stocks of the business entity (equity) and investors who lend money to the business entity (debt). After collecting the total amounts of money from equity and debt providers, and converted into various types of assets of the business entity for its operation, their sum equals the value of the business entity.

From a valuation perspective, the valuer will restate the values of all types of assets of a business entity from book value, i.e. historical cost minus depreciation to appropriate standards of value. After the restatement, the valuer can identify the indicated value of the business entity, or, by applying the accounting principle “assets minus liabilities”, arrive at the value of the equity interests of the business entity.

8.3 Income-Based Approach

The Income-Based Approach focuses on the economic benefits generated by the income producing capability of a business entity. The underlying theory of this approach is that the value of a business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

9.0 APPRAISALS APPROACHES FOR THE BUSINESS ENTERPRISE

In the process of valuing the Business Enterprise, we have taken into account of the uniqueness of its operation, the industry it is participating, and the availability of information and market data. The Business Enterprise is engaged in an emerging industry and does not require substantial fixed assets to support its business. Therefore, we consider the Asset-Based and Income-Based Approaches are inappropriate. Thus, we consider the Market-Based Approach is the most appropriate methodology to arrive at the fair value of the Business Enterprise.

9.1 Comparables

We have searched suitable market comparables (hereinafter referred to as the “Comparables”) on a best effort basis and identified Comparables listed in the following table, which are the closest proxies to the Business Enterprise with similar industry focus, risk and return nature. Details of the Comparables are summarized below.

Company Name	Stock Code	P/S Multiple
ChinaCache International Holdings Limited	CCIH US	1.333
NetEase, Inc.	NTES US	6.929
Pacific Online Limited	543 HK	4.611
SINA Corporation	SINA US	8.399
Sohu.com Inc.	SOHU US	2.229
Tencent Holdings Limited	700 HK	12.975
Youku Inc.	YOKU US	20.067
Zynga Inc.	ZNGA US	5.810
Average		7.794

9.2 The Fair value

According to the forecast, gross turnover of the Business Enterprise is projected to be HKD37.80 million for the year ended 31 December 2012. Fair value of the 100 percent equity interest in the Business Enterprise is therefore approximately HKD203.66 million as of the Valuation Date after applying a discount of 30.873 percent for lack of marketability as a private company, which is determined by the density function for the maximum of a Brownian motion process as below by adopting average annualized volatility of 54.931 percent for the Comparables and assuming marketing period is approximately 4.8 months.

$$DLOM = \left(2 + \frac{\sigma^2 T}{2} \right) N \left(\frac{\sqrt{\sigma^2 T}}{2} \right) + \sqrt{\frac{\sigma^2 T}{2\pi}} \exp \left(-\frac{\sigma^2 T}{8} \right) - 1$$

10.0 APPRAISAL ASSUMPTIONS

We have adopted certain specific assumptions in this appraisal and the major ones are as follows:

- The projections outlined in the financial information provided are reasonable, reflecting market conditions and economic fundamentals.
- The financial projections provided will be materialized.

- There will be sufficient supply of technical staff in the industry in which the Business Enterprise operates.
- The Business Enterprise will retain competent management, key personnel and technical staff to support its ongoing operations and developments.
- Interest rates and exchange rates in the localities for the operation of the Business Enterprise will not differ materially from those presently prevailing.
- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Business Enterprise operates or intends to operate would be officially obtained, and renewed upon expiry.
- There will be no major changes in the current taxation laws in the localities in which the Business Enterprise operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with.
- There will be no major changes in the political, legal, economic or financial conditions in the localities in which the Business Enterprise operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Business Enterprise.

11.0 LIMITING CONDITIONS

This appraisal reflects facts and conditions existing at the Valuation Date. Subsequent events have not been considered and we are not required to update our report for such events and conditions. To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others which have been used in formulating this analysis, are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied to a considerable extent on information provided by the Management and the Company in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We have not investigated the title to or any legal liabilities of the Business Enterprise and have assumed no responsibility for the title to the business enterprise appraised. We would particularly point out that our appraisal was based on the information such as company background, business nature, market share, future prospecting and in particular the cash flow projections of the Business Enterprise provided to us.

Our conclusion of the fair value is derived from generally accepted appraisal procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or

ascertained. We assume no responsibility whatsoever to any person other than the directors and management of the Company in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report, they do so entirely on their own risk.

12.0 REMARKS

Unless otherwise stated, all monetary amounts stated in this appraisal report are in Hong Kong Dollars (HKD). We hereby confirm that we have no present interests in the Company, the Business Enterprise and the associated companies, or the values reported herein.

13.0 OPINION OF VALUES

Based on the investigation and analysis stated above and on the appraisal methods employed, we are of the opinion that the fair value of 100% equity interest of the Business Enterprise as at 2 May 2012 is in the sum of **HKD203,000,000 (HONG KONG DOLLARS TWO HUNDRED AND THREE MILLION ONLY)**.

Yours faithfully,
For and on behalf of
GA Valuation Limited
Teddy Iu
FCMA, CGMA, FCPA
Head, Business Valuation

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)

NOTICE OF THE SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of holders of ordinary shares of HK\$0.01 each in the capital of RCG Holdings Limited (the “**Company**”) will be held at Lot 1, Jalan Teknologi 3/5, Taman Sains Selangor 1, Kota Damansara, 47810 Petaling Jaya, Selangor, Malaysia at 11:00 a.m. (Hong Kong Time) on Monday, 25 June 2012 for the purpose of considering and (if thought fit) passing the resolution set out below as an ordinary resolution (with or without amendment) (unless otherwise indicated, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 8 June 2012):

ORDINARY RESOLUTION

1. “**THAT**

- (a) the creation and issue of the Convertible Notes in the aggregate principal amount of HK\$88,700,000 to be issued by the Company pursuant to the Sale and Purchase Agreement be and is hereby approved, confirmed and ratified;
- (b) subject to and conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited of the listing of and permission to deal in the Conversion Shares, the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attached to the Convertible Notes in the share capital of the Company at the conversion price of HK\$0.85 (subject to adjustment provided therein) per Conversion Share be and is hereby approved, and the Directors be and are hereby authorised to allot and issue the Conversion Shares pursuant to and in accordance with the terms and conditions of the instrument constituting the Convertible Notes; and
- (c) any one director of the Company or, if the affixation of the common seal of the Company is necessary, in accordance with the articles of association of the Company, be and is/are hereby authorised for and on behalf of the Company to approve and execute all documents, instruments and agreements and to do all such acts or things deemed by him/her/them to be incidental to, ancillary to or in connection with the matters contemplated in or relating to the Sale and Purchase Agreement, the issue of the Convertible Notes, the

* For purpose of identification only

NOTICE OF THE SGM

issue of the Conversion Shares and transactions contemplated thereunder and completion thereof as he/she/they may consider necessary, desirable or expedient.”

Yours faithfully,
On behalf of the Board of
RCG Holdings Limited
Li Jinglong
Director

Hong Kong, 8 June 2012

Notes:

1. A Form of Proxy or Form of Direction (as applicable) is enclosed.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same.
3. Any member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company. A proxy need not be a member. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.
4. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such a power or authority, shall be delivered to the Company's Registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, United Kingdom (for shareholders whose names appear in the Company's branch register in Jersey and who hold shares in certificated form), or, in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for shareholders whose names appear in the Company's branch register in Hong Kong) not less than 48 hours before the time appointed for holding the meeting (or any adjournment thereof) at which the person named in the instrument proposes to vote.
5. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event the Form of Proxy shall be deemed to be revoked.

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6. In the case of joint holders of any share, if more than one of such joint holders be present at any meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
7. Any corporation which is a member of the Company may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members of the Company. The person so authorised shall be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual member of the Company and such corporation shall be deemed to be present in person at any such meeting if a person so authorised is present thereat.
8. In the case of holders of Depository Interests representing ordinary shares in the Company, a Form of Direction must be completed in order to instruct Capita IRG Trustees Limited, the Depository, to vote on the holder's behalf at the meeting or, if the meeting is adjourned, at the adjourned meeting. To be effective, a completed and signed Form of Direction (and any power of attorney or other authority under which it is signed) must be delivered to Capita Registrars PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, United Kingdom by no later than 72 hours before the time fixed for the meeting or any adjourned meeting.