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**RCG HOLDINGS LIMITED**  
**宏霸數碼集團 ( 控股 ) 有限公司\***  
*(a company incorporated in Bermuda with limited liability)*

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

**TRADING UPDATE**

**AND**

**PROFIT WARNING**

This announcement is made by the Company pursuant to Rule 13.09(1) of the Hong Kong Listing Rules.

The board of directors of the Company wishes to inform shareholders and potential investors of the Company that it expects its revenues in the second half of the year ending 31 December 2010 are expected to slightly exceed the first half revenues and will therefore be in line with full year expectations. The Company continues to trade profitably and to remain cash flow positive. The Company also expects to report lower net profit and net profit margin for the year ending 31 December 2010 compared to the same period in 2009, substantially attributable to higher cost of sales coupled with reduced selling price and non-cash revaluation deficit of intangible assets.

**Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.**

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\* For identification purposes only

This announcement is made by RCG Holdings Limited (the “Company” and together with its subsidiaries, the “Group”) pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Hong Kong Listing Rules”).

### **Trading update and Profit Warning**

RCG Holdings Limited (AIM:RCG, HKSE:802), an international provider of biometric and RFID products and solution services with a primary focus in the Asia Pacific markets, announces the following trading update for the year ending 31 December 2010.

The revenues in the second half of the year ending 31 December 2010 are expected to slightly exceed the first half revenues and will therefore be in line with full year expectations. The Company has experienced significant margin pressure over the last few months and, consequently, it is expected that the overall gross profit in the second half of the year will be at around two-thirds of that achieved in the first half of the year with a consequential impact on the operating and net profit. However, the Company continues to trade profitably and remains cashflow positive.

The Consumer business segment has, in particular, suffered from margins being almost halved during the second half of the year as the product mix has included more lower margin hardware products. However these products are more synergistic with the Company’s other products and solutions and are therefore important to future business development. The Enterprise business segment has also suffered from lower margins, by approximately one-third, as the Company has reduced selling prices to maintain market share. It is expected that margins in this sector will continue to be under pressure throughout 2011 and will therefore remain at similar levels to those currently being experienced by the business. The Solutions business segment continues to be, comparatively, the most profitable segment in the Company but has experienced some implementation delays on certain projects and, considering the overall economic climate and the expected slowing of growth in China in 2011, anticipates that growth in this segment will be slower than previously.

The Board, ahead of the year-end audit, has reviewed the carrying value of certain of its assets, particularly goodwill and believes that it is prudent to recognise some further impairment of value. It is also proposing, considering the current economic climate and the slowdown that is being experienced in the collection of trade receivables, to increase the provision for doubtful debts at the year-end. Accordingly, the Company expects to report lower net profit and net profit margin for the year ending 31 December 2010 compared to the same period in 2009, substantially attributable to higher cost of sales coupled with reduced selling price and non-cash revaluation deficit of intangible assets.

It is expected that the audit of the full year results will be completed during March 2011, enabling the Company to release its preliminary statement of results for the year by the end of that month.

## **Outlook**

Notwithstanding the decline in gross profit margins and the write down of asset values, the Company continues to trade profitably and to remain cash flow positive. However the Board is very aware of the tight working capital position and the need to exercise strict cost controls and therefore pays close attention to this.

The future success of the business depends upon how well the Company is able to identify and develop new business opportunities and to maintain cutting edge products. It will therefore continue to invest in research and development and to seek new products with high commercialisation opportunities. It has achieved some significant contract wins from reputable clients and successful project implementations over the last six months, in particular, for the RCG RFID Asset Management Solutions across a number of different industry sectors, including banking, telecoms, utilities as well as leads to extensions to existing contracts and in the aviation and insurance industries. It has also had some early contract success following the launch of RCG's Kad Pintar Pelajar, an integrated Machine-to-Machine solution for use in schools, and has a number of further leads from schools in the Middle East.

In addition to these successes, the Company has won a number of contracts from various government bodies in Malaysia, Nigeria and Abu Dhabi and has recently announced its collaboration with Xiangyang Government in Hubei Province and Star Asia Group to develop the Internet of Things City Project in Xiangyang city.

The Company has been re-positioning its activities and believes that it is well placed for the longer term. The Board therefore remains confident about the prospects for 2011 and beyond despite the margin pressure and working capital constraints that it is currently experiencing.

As the Company is still in the process of finalising its results for the year ending 31 December 2010, the information contained in this announcement is based on the Company's preliminary review of the unaudited consolidated management accounts of the Group up to the date of this announcement, which have not yet been reviewed or confirmed by the Company's auditors or audit committee. Detailed financial information on the Group will be disclosed in the Company's full year results for the period ending 31 December 2010, which are expected to be announced by the end of March 2011.

**Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.**

By Order of the Board of  
**RCG Holdings Limited**  
**Ying Kan Man**  
Director

Hong Kong, 20 December 2010

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

*Executive Directors:*

Dato' Lee Boon Han

Ying Kan Man

Chong Khing Chung

*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