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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 provides an update on the trading position of the Company.

The Board wishes to inform shareholders and potential investors of the Company that, based on the information currently available to the Board, it is expected that as compared to the net profit for the six months ended 30 June 2010, the Group will record a net loss for the six months ended 30 June 2011.

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

RCG Holdings Limited (AIM: RCG, HKSE: 802) (the “Company” and together with its subsidiaries, the “Group”), an international provider of biometric and RFID products and solution services with a primary focus in the Asia Pacific and the Middle East markets, announces the following trading update.

Following the decision last year to increase the focus on the Solutions, Projects and Services business segment and to reduce the reliance on the less profitable distributorship model, as previously announced by the Company, the first half of 2011 has been a period of consolidation as that strategy has been implemented. Revenues for the first half of 2011 have, as a result decreased by approximately one-third compared with the same period last year, largely as a result of the reduction in distributor sales by approximately 75% and because the Company continues to experience implementation delays on certain projects resulting in lower sales in Solutions, Projects and Services segment by approximately 50% compared to the same period last year. In addition, the Company had to remain competitive in its products and solutions’ pricing amid the increasing competition in the market it operates.

* For identification purposes only

The Board drew attention in the Company's trading update in December 2010 to the extreme margin pressures in both the Consumer and Enterprise business segments. These pressures remain with the Company today and are reflected in a substantially lower gross margin than it has achieved in the past. The Board expects this to continue into the second half year of 2011 as, ever conscious of the Company's working capital pressure, it seeks to reduce its excess stocks ahead of the commencement of its recently won contracts in 2012.

The Board has also decided to make further impairment provisions against the carrying value of contract rights, trade receivables and certain other intangible assets, which, combined with the lower revenues and margins referred to above, are expected to have resulted in a significant net loss for the first half of the year.

However, the Board believes that the period of consolidation is coming to an end and that once the excess stocks have been reduced in the next six months the Company will be well placed to execute the business that it has secured with various governmental bodies in Southeast Asia and major corporations in China and the Middle East for delivery commencing in 2012. Excluding the non-cash costs and write-downs referred to above, the Company is trading profitably and following the recent placement, the current net cash position of the Company is approximately HK\$141.3 million. The Board is comfortable that this is sufficient for the Company's current needs.

The information contained in this announcement is only based on the preliminary assessment by the Board based on information currently available to it, which have not yet been confirmed or reviewed by the Company's auditors or the audit committee of the Company. Unaudited financial information of the Group for the six months ending 30 June 2011 will be disclosed in the interim results which are expected to be announced on 17 August 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, 4 August 2011

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

Executive Director:

Ying Kan Man

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