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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 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 the Group will continue to record a net loss for the year ended 31 December 2011 which is materially larger compared to the net loss for the year ended 31 December 2010.

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.

During 2011, the Group focused on the Solutions, Projects and Services business segment, reduced its reliance on the less profitable distributorship model and divested less profitable and non-core businesses. As a result of the reduction in distribution sales and continuing delays on certain projects in the Company’s Solutions, Projects and Services business segment, revenues for the year ended 31 December 2011 are estimated to have decreased by approximately half compared with the prior year.

* For identification purposes only

The Group continues to experience margin pressure in both the Consumer and Enterprise business segments with lower selling prices arising from increased competition, coupled with rising cost of sales. These trends, together with the substantial disposal of surplus inventory by the Group in the second half of the year at discounted prices, have resulted in substantially lower gross margins than have been achieved in the past.

The Board has decided to make very substantial further impairment provisions against the carrying value of trade receivables, in addition to the impairment provisions made at the half year stage; this, combined with the lower revenues and margins referred to above, has contributed to a significant net loss for the full year ended 31 December 2011 which is estimated to be materially larger than the net loss reported for the first half of 2011.

Although the Group has been able to execute smaller-scale projects secured with various governmental bodies and major corporations in the Southeast Asia, China and the Middle East, some delays in the bigger projects together with the decreased revenues and margins described above and research, development and investment expenditure has put further pressure on the Group's working capital position. As at 31 December 2011, the Group had cash of approximately HK\$24 million and bank borrowings of approximately HK\$83 million. As set out in the Company's recent circular to shareholders, the Board intended to seek funding through further issues of equity. However, in light of the fact that the General Mandate Refreshment Resolution was not approved at the recent shareholder meeting, the Board is currently considering various funding alternatives to finance its development plans and reduce its borrowings.

The information contained in this announcement is based on a preliminary assessment by the Board of the financial information currently available, which has not yet been confirmed or reviewed by the Company's auditors or the audit committee of the Company. The Company expects to announce its audited results for the year ended 31 December 2011 around the end of March 2012.

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
Li Jinglong
Director

Hong Kong, 16 January 2012

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

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