

ASX ANNOUNCEMENT

5 August 2007

SALE OF KING OF KNIVES

RCG Corporation Limited (ASX:RCG) today announced that it has entered into an agreement to sell its **King of Knives** business to a consortium associated with the Baskin family.

The Baskin family and interests associated with them were the majority shareholders of King of Knives prior to it being acquired by RCG (then Retail Cube Limited) in July 2004, and the Baskin family are substantial shareholders in RCG. The agreement, which is subject to shareholder approval, is expected to complete by the end of October 2007 with settlement deferred until 30 September 2008.

The purchase price is up to approximately \$4.5m and is guaranteed by a third party financial institution, which in turn has taken a first mortgage over 14.9m RCG shares owned by interests associated with the Baskin family. RCG's recourse against the buyer for payment of the purchase price is limited to enforcement of this guarantee, and the guarantee is limited to those shares. This effectively caps the purchase price at a maximum of approximately \$4.5m and a minimum of the value of the 14.9m RCG shares in September 2008.

“Our mandate is to deliver substantial growth for our shareholders. The King of Knives business absorbed a disproportionate amount of management time for insufficient upside. With its sale we will have completed the restructure of RCG and can turn our attention to growth, both organic and by acquisition,” said RCG Chairman, Ivan Hammerschlag. *“We are already looking at a number of acquisition opportunities, on our own and with partners.”*

RCG continues to own and operate **The Athlete's Foot**, Australia's largest chain of speciality athletic footwear stores. The Athlete's Foot operates 120 franchised and corporate owned stores throughout Australia and New Zealand.

“The Athlete's Foot is an exceptionally strong business with an experienced and dedicated management team,” said Hammerschlag. *“Comparative store sales for the 2007 financial year were 15% up on the previous year, which is well in excess of other comparable businesses and the retail sector in general.”*