

27 February 2007

Company Announcement Office
Australian Stock Exchange Limited

By Electronic Lodgment

Dear Sir,

RE: RIGHTS ISSUE – LETTER TO SHAREHOLDERS

We refer to the prospectus lodged yesterday (26 February 2007) and now enclose a copy of the letter being forwarded today to all shareholders of the company giving relevant details of the 2 for 7 non-renounceable rights issue as required by the Listing Rules.

Yours faithfully
RCG CORPORATION LIMITED



Howard Knapp
Company Secretary

RCG Corporation Limited
ABN 85 108 096 251

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RCG
MR JOHN SMITH 2
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



27 February 2007

Dear Shareholder

RCG CORPORATION RIGHTS ISSUE

As foreshadowed by your Board in October last year, RCG Corporation Limited (**RCG Corporation**) intends to raise up to approximately \$2,601,487.40 in new capital through a non-renounceable pro rata rights issue to holders of Ordinary Shares (the "Rights Issue" or the "Offer").

The subscription price for each New Ordinary Share issued under the Rights Issue is A\$0.09 per New Ordinary Share and the maximum number of shares to be issued under the Rights Issue is approximately 28,905,416. Upon allotment, the New Ordinary Shares will rank equally in all respects, including as to dividends and voting, with the existing Ordinary Shares.

The Record Date for the Rights Issue will be 6 March 2007. All shareholders on RCG Corporation's register as at 7:00pm (Sydney time) on the Record Date will be entitled to subscribe for 2 New Ordinary Shares for every 7 Ordinary Shares held as at the Record Date. The rights in respect of Ordinary Shares will be non-renounceable. As such, your entitlement cannot be traded or transferred to any other person.

Fractional entitlements to Ordinary Shares arising as a result of the Rights Issue will be rounded down to the nearest whole number. Holdings on different registers will not be aggregated for this purpose.

The Rights Issue is not underwritten.

RCG Corporation will apply for quotation of the New Ordinary Shares on the ASX.

Use of proceeds

The substantive purpose of the Offer is for the Board of RCG Corporation to deliver on the commitment it made to shareholders in October 2006 as part of the Company's recapitalisation plan. At that point, the Board committed the Company to provide existing Shareholders with an opportunity to subscribe for further Shares at the same \$0.09 price as was paid under the private placement to certain directors of the Company which was approved by shareholders on 19 December 2006.

Actions required by shareholders

Shareholders in the United States of America and Thailand will not be sent new issue documents.

Because the distribution of the Prospectus for the Offer in jurisdictions outside Australia and New Zealand may be restricted by law, the Company advises that persons who come into possession of the Prospectus outside Australia and New Zealand should seek advice on and observe any such restrictions.

If you are an Eligible Shareholder (as defined in the Prospectus) and are entitled to participate in the Offer and you wish to take up all of your Rights you will need to:

1. complete the Application Form accompanying the Prospectus (which will be sent to you on 13 March 2007) in accordance with the instructions on that form;
2. attach your cheque (drawn on an Australian branch of an Australian bank) for the amount payable for the number of New Ordinary Shares applied for, made payable to "RCG Corporation Limited" and crossed "Not Negotiable"; and
3. forward your completed Application Form and your cheque to the Registry either by mail or in person to:

Mailing Address:

Computershare Investor Services Pty Limited
GPO Box 253
Sydney NSW 2001
Australia

Or hand deliver to:

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000
Australia

You should read and consider the Prospectus carefully and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to accept the Offer.

The closing date for the receipt of acceptances is 27 March 2007.

Despatch date

Shares will be allotted on 28 March 2007 and shareholder holding statements are expected to be mailed out on 4 April 2007.

Further information

Security holder approval is not required for the Rights Issue.

At the conclusion of the Rights Issue, RCG Corporation will have up to 130,236,873 Ordinary Shares quoted on ASX. Additionally, RCG Corporation will have on issue the following securities which are not quoted on ASX:

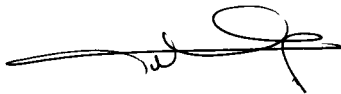
Placement Options:	24,555,554	(Exercise price \$0.12, expiry date 11/01/2012)
Director Options:	4,600,000	(Exercise price \$0.12, expiry date 18/12/2011)
Employee Options	16,000,000	(Exercise price \$0.12, expiry date 18/12/2011, vesting conditions apply)

RCG Corporation's dividend policy will remain unchanged.

Further information in relation to the Rights Issue will be available once the Prospectus has been registered and lodged with the respective regulatory authorities which is expected to occur on or about 26 February 2007. After the Prospectus has been registered it will be available for inspection on the ASX website. While the Offer remains open, Eligible Shareholders may obtain a free hard copy of the Prospectus by contacting the Share Registry by telephone on 1300 855 080 or +61 3 9415 4000 (overseas holders).

Please note that no money is currently being sought by RCG Corporation. No applications for securities will be accepted or money received unless the subscriber has received a Prospectus.

Yours faithfully



Ivan Hammerschlag
Chairman
RCG Corporation Limited

Attachment: Summary of Key Rights Issue Dates

Event	2007
Prospectus lodged with ASIC and ASX	26 February
Record Date for calculation of rights (7:00pm (Sydney time))	6 March
Offer Document and Entitlement and Acceptance Form mailed to Shareholders	13 March
Opening date of Offer	13 March
Closing date for the Offer (5.00pm (Sydney time))	27 March
Allotment date and Deferred Settlement trading commences on ASX	28 March
Despatch of holding statements	4 April

Subject to the ASX Listing Rules, RCG Corporation Limited reserves the right to alter this timetable.