

10 October 2007

Company Announcements Office
Australian Stock Exchange Limited

By Electronic Lodgment

Dear Sir,

RE: CHAIRMAN'S ADDRESS TO AGM

In connection with the Annual General Meeting of RCG Corporation Ltd to be held at 2.00pm today, we attach the prepared address of the Chairman.

Yours faithfully,



Howard Knapp
Company Secretary

RCG CORPORATION LIMITED
ANNUAL GENERAL MEETING 10 OCTOBER 2007
CHAIRMAN'S ADDRESS

Fellow shareholders, ladies and gentlemen,

The 2007 financial year marked a critical turning point for RCG Corporation.

When the new board took office a year ago, we set four short-term priorities for the business:

1. **Stop the losses in Amazing Paints.** We did so by immediately placing those businesses into administration. That process has been completed with all creditors receiving at least 88.65 cents in the dollar and the majority of creditors receiving 100 cents in the dollar.
2. **Ensure that RCG had sufficient working capital.** As you will recall, in December 2006 we sought and obtained your approval to raise \$4.1m via a combination of a share placement and a rights issue. Your directors personally participated in this capital raising, contributing in aggregate \$2.4m of the total amount raised.
3. **Review the operations and performance of the King of Knives.** As a result of this review it became apparent that any long-term upside potential of the King of Knives business was not sufficient to offset the short-term resource requirements and associated risks and opportunity costs. As a result, we decided to dispose of the King of Knives and in early August this year signed a contract to sell this business. Subject to obtaining your approval to that sale today in accordance with the ASX Listing Rules, completion will take place next week.
4. **Continue to grow The Athlete's Foot.** I am very pleased to report that the TAF management team has done another excellent job this year, expanding the network to 120 stores and delivering a trading profit of \$4.3m, an increase of over 66% on 2006.

But that is now in the past. Let me tell you a little about the future.

As a result of the work in 2007, RCG has put itself in a very strong position to concentrate on growth and create sustainable long-term shareholder value. Your board has developed a three-tiered strategy for growth.

The first tier focuses on the enormous organic growth potential of The Athlete's Foot brand. Organic growth will come from a combination of comparative store sales growth and from the opening of new stores. For the 2008 financial year, The Athlete's Foot has forecast comparative store sales growth of 10%. I am happy to report that our actual results for the first quarter of FY2008 are already ahead of our forecast and this trend is continuing in the first weeks of October.

In addition, The Athlete's Foot plans to grow its store network. At the beginning of FY2008 the group had 120 stores across Australia and New Zealand and we forecast to open 10 new stores during the financial year. By the end of the first quarter, 3 new stores have already been opened and a further 4 stores are committed for opening later in the year. We are therefore confident that we will achieve our new store targets this year.

Over and above this we have made other operational improvements to the TAF business. On 1 July 2007, The Athlete's Foot launched its supplier partnership programme. This programme has received wonderful support from our suppliers and is expected to add \$1.2m in new EBIT to the TAF business during FY2008. This supplier partnership is supported by other ongoing profit and performance drivers such as a new gift card, new customer loyalty program and new footprint technology. In aggregate, we expect that the combination of these factors and other initiatives will continue the growth in TAF's operating profit. We expect an increase of about 35%, from \$4.3m in FY2007 to \$5.8m in FY2008

The second tier of the strategic growth platform is concerned with leveraging the expertise and brand strength of The Athlete's Foot, both into other store formats and into other retail concepts, for our existing franchisees and for new partners. We are well advanced in these plans and expect to make further announcements later in the year.

That brings me to the third tier of the growth strategy - to make strategic, synergistic acquisitions or investments. In early September we announced a \$15m placement of new shares to institutional investors, which is also subject to your approval today. This cash, together with a substantial acquisition funding facility from our bankers and additional

sources of capital from our institutional investors, provides RCG with a highly liquid balance sheet and access to funds for any suitable acquisition.

With the sale of King of Knives and the reorganisation of RCG to effectively operate The Athlete's Foot as a standalone business, we have freed up executive director's time to concentrate their efforts on suitable acquisitions. It is the stated aim of your board to make at least one such acquisition or investment during the 2008 financial year.

In closing, I would like to reiterate that the 2007 financial year was a successful one in which we were able to execute our turnaround strategies to deliver a healthy, growing and sustainable business. As a result, we are now in a very strong position to concentrate on growth, both organic and by acquisition. We look forward to the exciting challenges and opportunities that await us in the year ahead and would like to take this opportunity to thank you for the support and encouragement you have provided us with over the last year.